

A Submission from

Group Training Australia Ltd

to the

Federal Government

Supporting the Development of the

2004/2005 Federal Budget

February 2004

1. Introduction

1.1. GTA is the national industry association for a network of over 180 not-for-profit group training organisations (GTOs) operating in over 200 locations across Australia.

1.2. GTOs employ apprentices and trainees (New Apprentices) and place them with host employers for varying periods until the apprentice or trainee has completed their training contract. This network collectively employs over 37,000 apprentices and trainees, some 13% of the national total, making it the largest employer of apprentices and trainees in Australia.

1.3. The contribution made by this network to national skills formation is extensive, and now well-documented as a result of a number of research projects including a recent national review of group training. The principal contribution is arguably the extent to which group training currently underpins the national training effort in the traditional trades, in which skill shortages have been evident for some time.

1.4. This submission focuses on the role of group training in traditional trade training and makes a number of recommendations that this organisation believes need to be implemented to ensure that the network has the support it needs from government to maintain its effort. Many of these recommendations were made by GTA Ltd to the Senate Inquiry into Current and Future Skill Needs.

1.5. There are also a number of other recommendations that are not group training specific but which GTA believes would go some way to ameliorating the problems of skill shortages in the traditional trades. These relate to issues as diverse as VET in schools, apprentice wage rates and mature-aged workers.

Summary of Recommendations

Recommendation 1: That governments increase their level of operating support for group training through the Joint Group Training Program to enable group training to maintain its effort in traditional trade training.

Recommendation 2: That the Commonwealth New Apprenticeship Employer Incentive for designated skill shortages be available Australia-wide.

Recommendation 3: That government provide sufficient funding to ensure that all the objectives of the MCEETYA Framework on Vocational Education in Schools can be implemented, in particular:

- ◆ improved careers education for students and professional development for careers advisers
- ◆ an expansion of SWL programs and school-based New Apprenticeships; and
- ◆ the establishment of sustainable partnerships between industry, education providers and community organisations

Recommendation 4: That government provide a financial incentive to job-seekers willing to undertake a traditional apprenticeship.

Recommendation 5: That government increase funding for the New Apprenticeships Access Program (NAAP) to enable more disadvantaged job seekers to gain access to a career in the traditional trades.

Recommendation 6: That government provide a subsidy to make the employment of mature-aged workers a more attractive proposition to employers.

2. Group Training Underpins Traditional Skills Base

2.1. Figures available from the National Centre for Vocational Education Research (NCVER) demonstrate the extent to which the group training network underpins the national effort in traditional trade training. The following table compares the growth of the numbers of all tradespersons, and selected categories of tradespersons, employed by GTOs with other employers over the last seven years.

% Growth in Numbers in Training by Trade and Employer Type			
March Quarters 1995 – 2002			
Trade	Growth in GT 1995-2002 %	Growth non-GT Employers 1995-2002 %	Growth all Employers 1995-2002 %
• Tradespersons and Related Workers (all trades)	57	8.5	14.6
• Construction tradespersons	34.2	17.5	21.0
• Automotive tradespersons	118.4	2.0	13.1
• Mechanical and fabrication engineering tradespersons	39.5	-27.4	-21.1
• Electrical and electronics tradespersons	121.7	5.3	20.2
• Food tradespersons	22.9	41.9	38.8

2.2. A closer look at the data at March 2002 is even more revealing. The following table highlights group training's national market share of all tradespersons, and selected trade categories, as well as its share in the same trade categories in those States and Territories where it exceeds its national share.

2.3. It is important to bear in mind that group training's national market share of all apprentices and trainees across all industry classifications is currently in the order of 13%, to appreciate the significance of the following figures.

Group Training Percentage Market Share by Trade and by Key States			
Based on In Training Figures at March Quarter 2002			
Trade	GT Market Share All States/Territories %	GT Market Share Selected States/Territories %	
• Tradespersons and Related Workers (all trades)	17.1	QLD	22.6
		WA	23.1
		SA	23.0
		TAS	22.0
• Construction tradespersons	23.4	WA	46.0
		ACT	43.0
		SA	40.0
		QLD	33.0
• Automotive tradespersons	18.4	TAS	34.1
		SA	25.0
		WA	23.0
• Mechanical and fabrication engineering tradespersons	16.8	NT	26.0
		TAS	24.3
		SA	22.0
• Electrical and electronics tradespersons	23.6	SA	39.9
		TAS	39.0
		WA	34.0
		QLD	28.5
• Food tradespersons	14.5	QLD	25.5
		SA	22.6

2.4. If one takes the construction tradespersons and looks at market share on the same basis as the table above for just two key occupation groups within this classification, the significance of the role of group training in underpinning traditional trade training is made even more apparent.

Group Training Percentage Market Share by Occupation Groups Within the Construction Trades and by Key States			
Based on In Training Figures at March Quarter 2002			
Occupation Group	GT Market Share All States/Territories %	GT Market Share Selected States/Territories %	
		• Carpentry and Joinery tradespersons	25.2
• Bricklayers	26.3	WA SA ACT QLD NSW	78.1 39.6 31.6 28.7 25.3

Data sourced from NCVET Apprentice and Trainee data collection March 2002
Data interrogations based on ASCO classifications at AQF level III only

Issues Affecting Skills Formation through Group Training

Joint Group Training Program

2.5. There could be no clearer evidence of the significant contribution that this uniquely Australian labour market intermediary is making to the maintenance of the national training effort in the traditional trades. This effort has been made despite a steady increase in the operating costs of GTOs at the same time as the level of government financial support has been reduced.

2.6. The increasing costs can be attributed to factors such as:

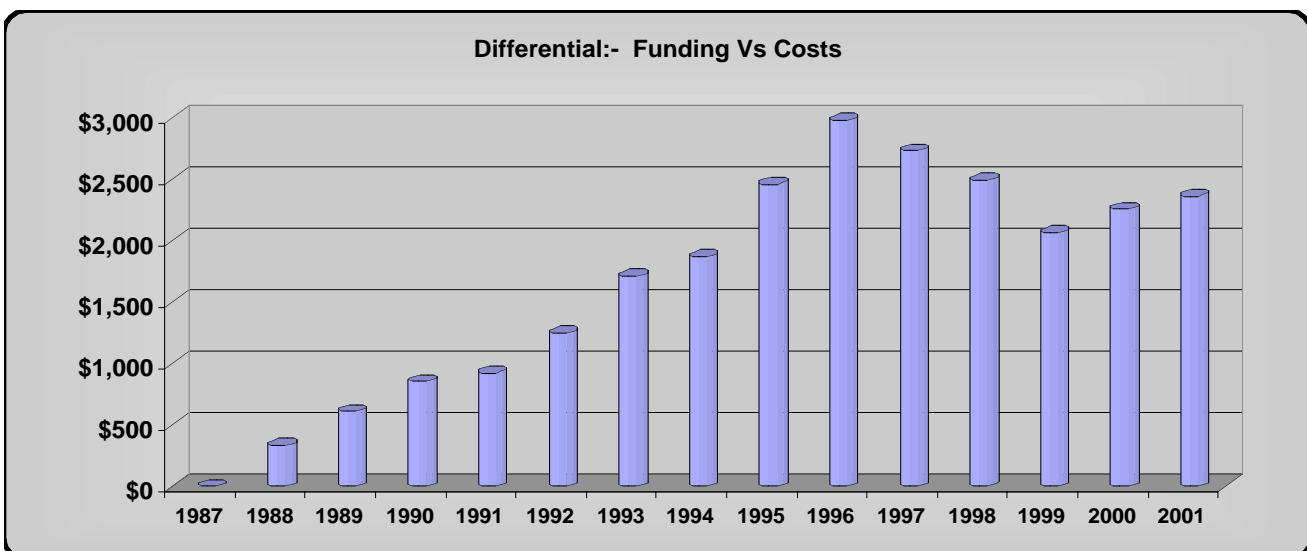
- the burgeoning costs of insurances, in particular workers compensation and public liability
- the loss of benefits derived from sales tax exemption with the introduction of the GST;
- compliance costs associated with a range of government policies including GST, OH&S, affirmative action, protection of minors; and, a point that is often lost,
- the added complexity of managing apprentices and trainees in a competency based training system.

2.7. The loss of government financial support has occurred principally as a result of the depreciation in the value of the operating funding that is paid to most GTOs under the Joint Policy Program, renamed the Joint Group Training Program (JGTP) following the recent national review of group training. This review recommended a number of changes to the way in which funds are distributed to GTOs though there has yet to be any agreement on an increase in the quantum of funds available.

2.8. GTA argued during the national review that the value of JGTP funds had declined quite significantly in real terms over the last decade, a situation which has been compounded by the increased costs being incurred by GTOs in recruiting, placing and managing New Apprentices.

2.9. The following table, provided by Capricornia Training Company (CTC) in Rockhampton, demonstrates the growing gap over the last fifteen years between the level of government support for an apprentice or trainee and the cost of supporting that person through their training contract.

2.10. While the graph is based on the income and expenditure profile of CTC's apprentices and trainees, GTA believes it would be indicative of trends for the entire group training network. Indeed, this contention was essentially confirmed by William Buck Business Consultants who were commissioned to undertake an analysis of the financial viability of GTOs as part of the national review.



2.11. It is clear from this graph that this growing gap has had to be met by either cross-subsidising from other sources or from increased charge-out fees to host employers. While charge-out rates have had to be increased to compensate for the reduction in government support, small business has a limited capacity to absorb the increase. The risk to GTOs, and hence to the national training effort, is that host employers will opt out of contracted training altogether if it proves too costly.

2.12. There is already evidence that this is happening as training becomes a casualty of cost cutting by business in response to competitive pressures. GTA believes that increased government financial support for group training is a small price to pay to ensure that an adequate supply of skilled labour, particularly in the traditional trades, is available in a country that aspires to develop a high skills, high wage, high value added economy.

Recommendation 1: That governments increase their level of operating support for group training through the Joint Group Training Program to enable group training to maintain its effort in traditional trade training.

Commonwealth Employer Incentives

2.13. This association is pleased to note that after many years of representations to the Commonwealth about the adverse impact of the reduction of the value of the employer incentives, the 1998 decision has been reversed as part of a recent Commonwealth review of the Employer Incentive Program.

2.14. However, in the context of skill shortages in the traditional trades, GTA believes that the government should also reconsider the application of the special incentive paid to employers in rural and regional Australia who take on New Apprentices in occupations designated as being in short supply.

2.15. Many GTOs in rural and regional Australia have been able to expand employment opportunities for young job-seekers as a result of this additional subsidy. However, this association would support the extension of this benefit to metropolitan Australia where there is a greater concentration of the industries which employ the tradespeople in short supply, and where the group training network could have more impact on skill shortages.

Recommendation 2: That the Commonwealth New Apprenticeship Employer Incentive for designated skill shortages be available Australia-wide.

Other Issues Affecting Skills Formation through Group Training Educational Issues

2.16. One of the major problems reported by the members of our network is the difficulty they experience attracting suitable applicants to fill vacancies in the traditional trades, with some more difficult to fill than others. A number of explanations are commonly given to explain this phenomenon.

2.17. Vocational education and training, and especially the traditional trades, have suffered from a poor image and are often portrayed unfairly as 'second best'. Schools are often blamed for perpetuating some of this view and, it must be admitted, parents sometimes reinforce this view with their own expectations for their children. These observations are now also being expressed publically by the Minister for Education, Science and Training, Dr Brendan Nelson.

2.18. We have heard it said that the expansion in the number of university places in the last 20 years may help to explain the emphasis schools place on tertiary education as the most desirable outcome for students. Our members often complain about the calibre of candidates for apprenticeships these days, compared to days when fewer university places were available. It has been suggested that the quartile of school leavers that used to present for apprenticeships is now going on to university, leaving those who once occupied semi-skilled and unskilled positions to apply for the available apprenticeships. This would explain the observation of our network that apprentices and trainees

need more learning support to get through their courses these days than was once the case.

2.19. A lot of resources have been expended improving careers advice and information in recent years, including interactive web sites and reams of promotional material, some of which has emanated from government initiatives such as the National Industry Skills Initiative (NISI). It is probably too early to determine how effective these have been.

2.20. School leavers need to understand that a career in the traditional trades can be as personally and financially rewarding, if not more so, than many other options available to them. The perception of our network is that many careers advisers lack any real understanding of industry, or at least the traditional trades, despite the introduction of some very good programs designed to overcome this deficit.

New Pathways through Vocational Education and Training in Schools

2.21. One very encouraging development that is going some way to ameliorating this situation is the rapid expansion of vocational education and training in schools.

2.22. Changes in the labour market over the last 20 years which have left early school-leavers with fewer job options, the expansion of the tertiary education sector, coupled with changing expectations, have seen a dramatic increase in the numbers of students staying on in Years 11-12. That many of these students are ill-suited to the traditional senior secondary academic curriculum is beyond dispute.

2.23. Consequently, considerable effort has gone into the creation of alternative pathways into employment or further education and training. Many of these pathways involve some form of vocational education or vocational training and have generally been designed to ensure that students do not limit their options by the choices they make. Vocational programs now usually enjoy dual recognition, being recorded on senior secondary certificates and leading to industry recognised credentials, and in some cases contributing to tertiary entrance scores. This association welcomes this development.

2.24. An increasing number of these programs now include a degree of contextualised learning which takes place beyond the classroom. This is most evident from the growth that has occurred in structured workplace learning (SWL) programs since they were first introduced by the former Australian Student Traineeship Foundation (ASTF) in 1996. These programs endeavour to include a stint in a real workplace so that the underpinning knowledge acquired off-the-job, usually in the classroom, can be consolidated through on-the-job training and assessment.

2.25. We have no doubt that these programs go some way to bridging the gap between school and work. They expose young people to the workplace and to the culture of work, they assist in the development of vocational skills and they aid learning by providing a context in which many young people can apply the knowledge they acquire in the classroom.

2.26. As indicated earlier, many GTOs are now involved in SWL programs, participating in management committees, delivering training and often securing the work placements using their vast networks of host employers. They see the benefit of these programs to the students and also recognise that cultivating this pathway is something of an investment in their own future. These students will often go on to become their future apprentices and trainees.

2.27. The other major development in this field is the introduction of school-based New Apprenticeships (SBNAs). These programs also lead to an industry recognised credential but they are undertaken under a training contract like any other apprenticeship or traineeship. Group Training Organisations have been prominent players in this particular educational initiative. Indeed, they are arguably its progenitor and it may well be that they would not be the success they are without their involvement.

2.28. Interestingly enough, we note that Mr Bill Mansfield, former deputy-chair of ANTA, stated in an interview in 2003 in Australian Training, ANTA's quarterly newsletter, that within 10 years up to a quarter of all apprentices and trainees would commence their training at school. Of course, if accurate, this has major implications for schooling and indeed for our network.

2.29. It is certainly our hope that the pathways being developed through VET in schools will assist students to realise the value of a career in the traditional trades and that this renewed interest will go some way to ameliorating skill shortages.

2.30. Indeed, GTA is a strong supporter of the MCEETYA (New) Framework on Vocational Education in Schools which has as one of its key objectives the expansion of SWL and SBNA's. However, the Framework also goes beyond the development of these pathways to include what might be described as a whole-of-community response to the development and implementation of services and strategies to assist young people to make an effective transition from school to work or further education. These include enterprise and career education, and the introduction of vocational learning in the earlier years of schooling.

2.31. It is envisaged that the most effective way for these services and strategies to be developed and implemented is by industry, education providers and community organisations working in partnership. To this end, GTA is currently managing a national DEST funded project to assist GTOs to engage with this broad agenda and to participate in such partnerships. We expect these activities to influence young people's thinking about the benefits of vocational education and training and, more particularly, a career in the traditional trades.

2.32. GTA believes however that, without sufficient funding, the objectives of the Framework will not be achieved to the great detriment of national skills formation, not to mention the young people who are most at risk.

Recommendation 3: That government provide sufficient funding to ensure that all the objectives of the MCEETYA Framework on Vocational Education in Schools can be implemented, in particular:

- ◆ **improved careers education for students and professional development for careers advisers**
- ◆ **an expansion of SWL programs and school-based New Apprenticeships; and**
- ◆ **the establishment of sustainable partnerships between industry, education providers and community organisations**

Apprentice Wages

2.33. Another factor working against attracting good quality candidates into the traditional trades is the relatively low pay rates for apprentices, particularly in the early years of the trade, though some pay better than others.

2.34. It is increasingly difficult to attract a young person into a trade at 18 years of age when the pay rate could be as little as \$180 per week, such as bricklaying, compared to what might be earned as a labourer, in the same industry. In some industries, again using the building industry as an example, an apprentice would almost invariably need a motor vehicle, in addition to meeting the usual living expenses, which may or may not include the cost of living away from home.

2.35. It is obvious to many of our members that the low rates of pay in the early years of an apprenticeship in the traditional trades are a major disincentive to many young people taking this option. This situation continues to worsen and some action is necessary in the face of the apparent inability of the market to force wage rates up in response to the shortages.

2.36. This association believes that government must take action to remedy this situation. We advocate the use of a wage top-up or incentive payment to encourage young people to undertake a career in the traditional trades. There may even be scope for such payments to incorporate HECS deferred payment principles.

<p>Recommendation 4: That government provide a financial incentive to job-seekers willing to undertake a traditional apprenticeship.</p>

3. New Apprenticeship Access Program (NAAP)

3.1. The New Apprenticeship Access Program is a DEST funded program that provides pre-vocational training for disadvantaged job seekers to assist them to obtain an apprenticeship or traineeship that might not otherwise have been available to them.

3.2. GTA is one of several brokers for this program which was put out to public tender for the first time in 2002 with each of the successful brokers being awarded

a certain number of places to allocate to eligible providers between July 2002 and June 2004. GTA was awarded the largest contract with 2,447 places to be allocated in those two financial years.

3.3. GTA is achieving all its performance targets and in some instances has exceeded them. This success is not surprising in view of the fact that training delivery, as well as the placement, monitoring and pastoral support for the group that is eligible for assistance under NAAP are all often integrated into the functions of a group training organisation.

3.4. An analysis of the outcomes for the current GTA contract indicates that almost 40% of NAAP participants to date have been placed in a traditional apprenticeship and have reached the 13 week payable milestone. Most of these apprenticeships have been in bricklaying, painting and decorating, the metal trades and automotive. These outcomes are testimony to the benefit of the program for disadvantaged job seekers and, just as importantly, to the skills base of those trades that experience perennial problems in attracting new recruits.

3.5. Unfortunately, the current tendering process for NAAP restricts brokers to allocating places within approved geographical areas. GTA for example is precluded from allocating places in any part of Queensland and non-metropolitan Victoria with limited restrictions elsewhere. The effect of this is that providers that GTA knows could achieve New Apprenticeship outcomes, including apprenticeships in the traditional trades, are prevented from dealing with GTA. This of course includes group training organisations who can not necessarily access funding from the brokers approved to allocate within their region. Moreover, under these arrangements, GTA is forced either to allocate to providers who have no track record and who are a risk to the achievement of GTA's outcome targets, or hand the places back to DEST.

3.6. GTA believes that more New Apprenticeships in the traditional trades could be secured if the geographical restrictions were lifted and GTA could treat with more GTOs from those regions. We also believe that GTA's allocation should be increased as our achievements to date would suggest that we are not only able to secure the number of New Apprenticeship outcomes required under the terms of our contract but are also able, more than most other brokers we suspect, to secure a significant number of outcomes in the traditional trades.

Recommendation 5: That government increase funding for the New Apprenticeships Access Program (NAAP) to enable more disadvantaged job seekers to gain access to a career in the traditional trades and that extra

places be awarded to brokers on the basis of proven performance under the next contract.

4. Mature-Aged Workers

4.1. There is currently considerable debate about the ageing of the Australian population and the impact that this will have on the workforce and the supply of sufficient skilled labour to meet Australia's economic needs.

4.2. The prevailing view seems to be that there will be significant labour shortages, already apparent in the traditional trades albeit for different reasons, and that there is little or no sign of action from any quarter that is commensurate with the seriousness of the situation. Three possible solutions to the problem are commonly advanced:

- ◆ significant increases in Australia's immigration intake
- ◆ retaining workers in the workforce well beyond the current accepted retirement age; and
- ◆ reskilling mature-aged people who have been out of the workforce or have been displaced by industry restructuring

4.3. There are already some mature-aged people being reskilled as a result of government decisions to place restrictions on certain categories of social security benefit and encourage beneficiaries to take advantage of various labour market programs, including the New Apprenticeship Access Program. This includes disability and sole parenting support pensioners.

4.4. However, these measures generally do not address some of the barriers to employment, particularly into the traditional trades, experienced by mature-aged people, whether they be income support beneficiaries, women returning to, or joining, the workforce after raising a family, or workers displaced by industry restructuring.

4.5. GTA Qld&NT recently completed a project funded by the QLD State Training Authority under that States *Breaking the Unemployment Cycle* to provide apprenticeships and traineeships to people over 45 who are not in receipt of intensive assistance from Centrelink. An evaluation of the project by GTA Qld&NT identified the following specific barriers that worked against better outcomes:

-
- ◆ adult pay rates – the most frequently cited reason for employers being loath to take on mature-aged people
 - ◆ level of fitness
 - ◆ lack of confidence, experience and skills
 - ◆ employers' perception that New Apprenticeships are only for younger people
 - ◆ inability to adapt to changes in technology
 - ◆ being long term unemployed
 - ◆ embarrassment at being the oldest person in the class
 - ◆ assumption by teachers that everyone knows how to use a computer
 - ◆ fear of rejection; and
 - ◆ perception that they themselves are 'over the hill'.

4.6. While this constitutes a formidable array of barriers, there is some evidence from both the New Apprenticeship Access Program and the Queensland project, that employment based training with quality pastoral care, rather than purely institutional training, can ultimately address some of the personal barriers that militate against a successful outcome. However, the biggest single impediment for this category of workers is the adult wage rate that employers are extremely reluctant to pay.

4.7. GTA believes that if real progress is to be made in harnessing the potential of mature-aged workers, particularly in the traditional trades, government needs to provide significant subsidies to offset the additional costs to employers. Of course, the adult wage rate may still be an unattractive proposition to a mature-aged worker, especially over the four years currently required to complete most traditional trades, if they have financial commitments and are still able to derive a better income elsewhere.

4.8. This then constitutes another argument for reassessing the duration of the traditional trade courses and the effectiveness with which RPL and RCC are being implemented by training providers.

Recommendation 6: That government provide a subsidy to make the employment of mature-aged workers a more attractive proposition to employers.

END