Skilling Australia: our apprenticeships challenge

Why do half of all apprentices fail to complete their training? For a start, there's the issue of pay: with earnings just a fraction above the dole, the need to get out and earn some real money is real. And while young workers getting snapped up by the workforce before they're qualified may be good news on one hand, on the other it has left Australia with a problem: how to deal with the skills shortage? In this special edition of the National Interest, we ask a panel of experts what can be done to get more young Australians into apprenticeships and how they can be encouraged to finish their training.

Transcript

Peter Mares: Hello, and welcome to The National Interest on ABC Radio National, coming to you from a conference organised by the National Centre for Vocational Education Research to discuss the future of training and apprenticeships in Australia and how to sustain the nation's skills base.

I'm joined on stage by four people who live and breathe training issues:

Neil Gow is training manager with Master Builders' Australia; Linda Heron is a human resources specialist; Peter Tighe is the National Secretary of the Communications, Electrical and Plumbing Union; and John Hart is CEO of Restaurant and Catering Australia.

It's not often that you find the union movement and peak business bodies in furious agreement, let alone issuing joint press releases. But that's what happened in late July, when executives from the Australian Council of Trade Unions, the Australian Chamber of Commerce and Industry and the Australian Industry Group met to discuss skills and training needs and the future of the national economy.

And they emerged from their talks with a call to arms, really, warning that vocational education and training must improve for Australia to secure its future prosperity.

So, labour and business agree that skills shortages are real and need to be addressed. And both sides of politics agree on this, too. The question is: how do we do it?

One place to begin might be to lift the proportion of apprentices and trainees who actually qualify. The number of commencements - those starting training - has been growing quite strongly in Australia, but only one in two trainees and apprentices actually stick it out to qualify and go through to completion.

So, Neil Gow, you're National Manager of Training Policy for the peak industry association, the Master Builders' Association of Australia. Why do so many trainees and apprentices fail to complete their training?

Neil Gow: There is lots of anecdotal evidence about this, but really we still don't have a firm grasp on exactly why this happens. There are tractions for people moving straight into the workforce, without a qualification, particularly now that we have such a labour and skills shortage in Australia.

Peter Mares: Because you can step straight into a job that pays better than apprentices' wages, for example?
Neil Gow: That's correct - and even outside the area of your training. And there are those imponderable personal and other issues that interrupt training, including health issues. As well as the complexity of the system: everybody acknowledges that our national VET training system within...

Peter Mares: I'm just going to remind people of what VET is: we're not talking about people who look after animals, we're talking about Vocational Education Training, one of the many acronyms in this field.

Neil Gow: I'll try not to use any more, Peter. But on that one, it is a national system, but it does have many arms and legs and it still needs further explanation to the trainees, to the apprentices, to employers etc. So, in amongst all of that, we know that there is this loss. We're not still sure exactly how it happens and there's a number of responses that have been identified by industry and by government and we are working on it.

Peter Mares: We should just distinguish between apprentices and trainees. Generally, when we talk about apprenticeships, we mean the traditional trades - plumbers and fitters and turners, and electricians, sparklies, things like that. Traineeships were often referring to more general skills, I suppose, in areas that might be retail, hospitality, security even. Linda Heron, you're a Human Resources professional, you've spent 30 years advising the retail industry, particularly the Coles group. You now advise government as a member of the National Industries Skills Committee. We see in the traineeship area that drop-out rate is even higher than in the apprenticeship area. Now, why is that?

Linda Heron: That's a very good question. Look, I think again there's a lot of anecdotal evidence, and I think not enough fact-based evidence; and I think it does vary very much by employer and by industry... the completion rates. And particularly for young people: I think they do have more choice and I think everyone in this audience here has probably got an example in their own family, or friends, or something. And I just had the experience - just recently - with my nephew, who is doing a motor mechanic apprenticeship in Queensland. And [he] came home one day and said, 'Well, you know, I'm thinking of giving that up because I can go and work as a landscape gardener' and get whatever it was every day - some outstanding amount of money! - and he has just bought a car and he's trying to pay for fuel which is on the ever-increase, as you know. And so, even for those young people living at home and trying to pay for cars, and he wants to do up this land cruiser and do all this other stuff... I think it's just that they're trying to budget as well as anyone else in the community, and I think that they can often be short-sighted. I'm pleased to say that he managed to be coerced into staying with the apprenticeship, and completing it through.

Peter Mares: Was he offered a bonus or something? Did the family sort of club together and say 'Look, stick it out'.

Linda Heron: Well, maybe a little bit of a loan from Aunty Linda. But I think this is practical, this is what young people, or people of any age quite frankly, they do look at [and say] 'Oh, OK, I can continue to do this', or 'I can go off and do this'. And so there is more choice available to them. And some of us would say that they're making the wrong choices. But who knows? Because I think learning is transferable, so whatever someone has picked up in 12 months or two years, if they are taking that to somewhere else and applying those skills and they're earning more money, that's going back into the economy somehow...

Peter Mares: So, it's not wasted... It doesn't mean it's wasted...

Linda Heron: I think it's not fair to say that that training is wasted, or that training investment is wasted because someone doesn't complete. I don't think that's the case.

Peter Mares: But I guess we might get a better return on the investment if they had stuck it through. Peter Tighe, you're National Secretary of the Communications, Electrical and Plumbing Union and you're Chair of the Industry Skills Council for the Electro-technology and
energy industries. So, we heard that about Linda's nephew and why he wanted to leave his apprenticeship. Does it come down to that? That apprentices should be paid more?

**Peter Tighe:** Peter, I think that's one of the critical aspects, but it's a complex issue. If you look at traditional trade training 30 years ago - 25 years ago - we had applicants coming in at 15, 16, they had the support of a parent. Most parents have an aspiration for their child to try and get some qualification in life. It was a secondary qualification than what you get from a tertiary institution. It certainly provides a career. So, the support of parents. There was also the situation where we had large employer groups that took on lots of apprentices, and that made gaining an apprenticeship far easier.

**Peter Mares:** So, like the old State-owned electricity companies and Water Boards and that sort of thing? Railways?

**Peter Tighe:** Yes. Ad I think that paternal association with your employers has now changed. It's a harder world today, I think everyone realises that. But certainly wages is a critical aspect and whilst there's some government subsidies out there, they are very insignificant compared to the cost of training a person. And when you look at the rates of pay for apprentices, well, it's slightly above that of the dole. And whilst we might get applicants in, in the first instances, I think one of the reasons why we have such a great attrition rate is that the attractions, as they go further down the track from age 19, 20, you're talking about adults here, who are starting a family, wanting to actually have a lifestyle equivalent with their peers. And the pressures in relation to bringing an income in, is, I think, far greater than the aspiration to come out with a qualification. So, we need to look at the changing way society looks at our system of training.

**Peter Mares:** As I mentioned before, there are differences between different professions and the level of drop-out rates are higher in some and lower in others. John Hart, as Chief Executive Officer of the industry association, Restaurant and Catering Australia, you'd be concerned that completion rates are particularly low in some hospitality sectors. I think for chefs, for example, only about 30 per cent go through to completion?

**John Hart:** Yes, it's pretty amazing, really. And I think the data suggests that a lot of that drop-out rate is also quite early on in the apprenticeship. We're very concerned that that shows a lack of understanding of what the apprenticeship might involve, a lack of understanding of what the career of cookery involves. I mean, there are a very large number of cookery trade apprentices in this country and, as you say, the drop-out rate is high, and very high early on. So, I think what we need to do is be working on ways to better inform those looking at the career as to the nature of the career; we need to be really making sure that we're getting the right people into the right job, fixing that match, I think, will help that very early attrition. And that will give us a better result at the end.

**Peter Mares:** Is that one of the key things, Neil Gow? That we need people to go in more with their eyes open, to know what they're up for and that if you're going to be a chef, you're going to be working late at night in a hot kitchen and you're going to be yelled at when things get stressful and all that sort of thing...?

**Neil Gow:** There are some positive messages as well there, Peter. And certainly knowledge of the industry. I mean, a lot of referrals do come for apprentices from people from their own family, or their friends, or other associates recommending an industry. But nonetheless that needs to be backed up with some more dispassionate information, for sure. But I'd go a step further than that, because we found in our industry those recruitment processes that involve some pre-apprenticeship training are the best way to ensure that people know something about the industry they're going into, the conditions they'll be working under and the benefits as well, rather than just career information by itself.

**John Hart:** Can I follow up with some numbers that came out of some work that we did three or four years ago. About a quarter of apprentices in cookery were leaving because of those
sort of lifestyle and hours issues that they obviously didn't understand on going in. About 40 per cent, though, were leaving because they were being offered a job as a cook without having completed the qualification. And I guess that's just symptomatic of this incredibly deep skill shortage that we face, that they get snapped up before they're qualified. And there's not enough recognition of the qualification and enough need for the qualification to make it worthwhile finishing before you get snapped up. So, we really have to think about what these deep-seated reasons are for non-completion if we're going to understand the full story.

**Peter Mares:** Because completion has gone down from something like 70 per cent around 1995, to as I say, around 50 per cent now. That's a big drop. So that would suggest that we're victims of our own success. The strengths of the economy, the growth of the labour market, has meant that - as you say - you can leave a job without finishing the apprenticeship and get much higher wages by being snapped up somewhere else.

**John Hart:** I think it also says, if I can Peter, something about the quality of the skills that they're obtaining is they've already got the skills before they finish that they need to do the job, then there's some question to be asked about the range of skills that they're getting in the full [apprenticeship]...

**Peter Mares:** Peter Tighe, from the union.

**Peter Tighe:** Our position's slightly different in the electrical area. We have a reasonably good completion rate, compared to some of the other occupations. We come in around about 60 per cent, but it's because the qualification is then required to take you to exercise in your occupation with a licence.

**Peter Mares:** You can't just go around being a sparky unless you get that piece of paper.

**Peter Tighe:** That's right. And I think once realisation that there is a career path past your initial qualification, it refocuses to the trainee to ensure that they in fact complete. I think the attractions in hospitality are completely different to other areas, so I think there's no panacea in relation to curing this exercise: we really need to look at it industry by industry. We, in fact, now have pre-assessment of individuals before they go into the program, because in our occupations, maths and science subjects have to be very strong with the applicant and to ensure that we don't have people failing on the basis of incapacity to complete the course we actually have a level that they must meet before they come into the trade. That's fair to the employer and it's fair to the trainee.

**Neil Gow:** Certainly, Peter, I'm in furious agreement with my colleague about that, because the importance of matching people to the particular industry... And so there's a danger in just looking at the generic figures. Certainly building and construction has a high proportion of licensed occupations as well, so there's that incentive for people to complete. And also there is the issue of the future opportunities of being able to move from a trade qualification to a higher qualification, to become a builder in one's own right. So, you do need to analyse it across industries, and the completion rates - although still of concern, in building and construction - have in fact been improving over recent years.

**John Hart:** Can I make a point about pre-testing. It's interesting that there's a philosophy of pre-testing in areas where you require either literacy or numeracy skills on the way in. Our employers are saying that what they actually want is a cache of other things to bring people coming into our industry, like attitudes and aptitudes that aren't as hard and fast as numeracy and literacy. How do we actually screen for those sort of things?

**Peter Mares:** They're a bit harder to measure, aren't they? Things like presentation and personal approach, those sorts of things. And I guess, Linda Heron, in retail those sorts of issues are important too.
Linda Heron: Yes. We had very high... When I was with Coles, the completion rates were well into the high 80 per cent, and I think it was because we did have a solid structure around not just the training, but the career path that people could follow. And that we didn't stop people from being promoted because they hadn't completed the traineeships. So, if they were doing Certificate 2 and they were the right person and the manager wanted to promote this person to become a department manager, then we enabled that to occur. But still, they were able to complete their apprenticeship. And I think if we weren't flexible enough to enable that to happen, we would have higher drop-out rates, because managers just would have promoted them anyway and we wouldn't have known where they'd gone.

Peter Mares: And that's going to be easier in a big organisation like Coles than it is, say, for a small employer who might have other employers coming and poaching their staff half way through the training.

Linda Heron: Yes, that's... Well, and that does happen, yes.

Peter Mares: And that I guess is particularly true in the restaurant trade John Hart, where you tend to have smaller enterprises?

John Hart: Absolutely. And that can really undermine their training effort quite substantially, particularly when we're short about 7 per cent of people and, you know, that's one of the options that they have to use.

Peter Mares: Peter Tighe, can I come back to you on another issue, which is the length of time it takes to do an apprenticeship. A traditional apprenticeship is four years, some used to be five years. There's now a move towards what's called competency-based training, so that if you get all the skills in a shorter time you can qualify more quickly. Does that make a trade, an apprenticeship more attractive?

Peter Tighe: The issue, I think Peter, is about quality. Actually, competency-based training has been in place, in principle, since the early '90s, and certainly in our area it's inherent in our training programs. And really what you want is a quality outcome that meets the needs of your industry. And whether you achieve that in three-and-a-half years, four years or four-and-a-half years, is a bit irrelevant. The issue is about a quality system that gives quality assessment and a benchmark that delivers it for sectors. Of course, some students and some trainees can go through a program on a quicker timeline than someone else. But what you can't do in relation to that is cut the cloth to suit: that is, take away the inherent parts of the program that should be in fact delivered to the individual... Because whilst the employer may want someone popping out of the sausage machine a little quickly, the trainee actually has to get a qualification that gives them some portability and leads to higher qualifications if they wish to go down that track.

Peter Mares: And they want to be able to take their qualifications to another employer and have them recognised and bargain in the marketplace and so on.

Peter Tighe: For sure. And yes, it can be achieved in some instances. In our area we've piloted it, but at the end of the day it sort of rounds off around that three-and-a-half, four years, and [for] some trainees it's a little longer. Mind you, when I trained, I trained for five years, so there's been some acceleration. But I won't tell you how long ago I trained!

Peter Mares: Neil Gow, from Master Builders, do you see prospects in accelerated apprenticeships?

Neil Gow: Yes, there's certainly opportunities there Peter and they need to be exploited. Improved mentoring and better control of paperwork and administrative procedures: those obviously are things that can be cut out of that period of time that in fact are wasted. It's not about training, that's about administration, so if that can be improved that's important. But that doesn't mean people should be forced through, or the quality cut: I'm not advocating that for a
moment, and of course there'll always be individual cases. And in the case of my own son completing an electrical apprenticeship in three years, three months, one of the mates he went through with some time ago has created a bit of a conundrum in the system, in that he hasn't finished his apprenticeship but he's due for long service leave!

**Peter Mares:** Well another issue here might be to what extent the old model, that is... I mean, we've inherited a model that comes down from England, I guess, and the tradition of artisans who had an apprenticeship working at the feet of the master. It's a kind of indentured model, where the person who's doing the training is fixed to a particular employer. But I wonder if we should be moving beyond that, if there's more of a place for schools-based training, or institutional based training. John Hart, do you have a thought about that?

**John Hart:** The trouble is that the amount of training that's actually delivered, or the learning that occurs on the job is more sizeable than the learning that occurs off the job, and the complexity of the skills that are actually picked up whilst they're working is much greater than those that they're learning off the job. My concern is that if we move to a model that's institutionally based, you're not picking up all that depth and complexity that one picks up in the workplace...

**Peter Mares:** You can't ever simulate the types of situations that you're actually going to confront in real life, I guess.

**John Hart:** Absolutely. And as much as we try and very fine providers [are] trying particularly with restaurants and the like in colleges, you never actually get to the point of the pressure that a customer paying for a meal puts on the workload in back of house. You can't simulate that.

**Peter Mares:** Are there comments on that idea of training in institutions versus training on the job? Peter Tighe, from the Electrical and Plumbing Union?

**Peter Tighe:** It hasn't changed, Peter, all that much. I mean, training has always been a mix of technical versus practical skills. An example in our area, well you learn to run wiring. You can learn your theory about selection of wiring, how much electricity it can carry, how to protect it with circuit boards and other protection devices, but then you've got to learn the practical aspect of installing that. And those two competencies go together to, in fact, make you a competent electrician to be able to run wiring. So there is no, again, blanket experience that you can then superimpose across all sectors. It certainly has a place. I believe that the vocational education focus in high schools is a very good thing. We now want Year 12 retention rates: and that means a lot of the students don't want to go on to tertiary institutions or go into professional areas associated with white collar areas. A lot of students would like to get their hands on mechanical equipment, learning to cut, to measure, to do all those things that in fact were in place a number of years ago. So, it might be back to the future in relation to how we look at secondary education.

**Peter Mares:** So, we need to do a lot more around the idea of schools-based apprenticeships, the idea that you can get a trade, or get a little way along the way towards a trade, and complete Year 12. Neil Gow?

**Neil Gow:** Yes, there're two elements to this, Peter. One is that vocational education and training in schools, but the other is actually commencing an apprenticeship while you're still at school, while still achieving a Year 12 certificate, which is seen as a valid and worthwhile educational outcome. So, this is training in a school-based apprenticeship, where a student finishes Year 12 but they already have completed some of the qualifications and gained experience on the job, which Peter's mentioned being critical, because you can't learn off the job a lot of those cultural and practical issues. So, it's just one way to address the skills shortage. It's one way to, in fact, if you like, help to accelerate the delivery of an apprenticeship which then may be achieved in two or maximum three years after leaving
school if the study done in the school and the associated workplace is completed satisfactorily.

**Peter Mares:** And I guess there's also overcoming a bit that cultural idea that's taken hold that everyone should be going on to university and putting the trades back in there in the mix. I mean, we used to have technical high schools, and I guess that's what you meant, Peter Tighe, about going back to the future. John Hart.

**John Hart:** Yes, I think the quality issue can't be lost in this though, and with 30,000 students undertaking hospitality studies in secondary schools, we're pretty concerned that any delivery of training that's occurring in the schools actually has the quality outcome that it needs. And the old food-tech kitchens that had the old Metters stove where somebody's trying to make a roux on an electrical hotplate, just doesn't have the same ring to it as the copper pot in the commercial kitchen. So, we really have to make sure that there's an equity of outcome between what's done in the schools and what's part of the apprenticeship.

**Peter Mares:** Does that mean investment from government - is that what we're talking about? It's one of the promises that Labor came in on, of course, was to put technical training back into schools.

**John Hart:** Well there's no doubt that that is part of it. But there's also a whole lot of other parts, including skilling up those who are delivering the training. It's no good having the commercial oven sitting in the kitchen if nobody can teach them how to use it. So there's a whole lot of things to go into that mix about having a quality delivery occurring in schools, that's not just about infrastructure, it's about capacity and it's about human resource.

**Peter Mares:** A lot of the training that takes place is actually not people entering the workforce for the first time: it's not apprentices coming in out of school. Linda Heron, a lot of it is actually training of existing workers, already in the workplace. And a lot of that training is done with a degree of government incentive. You know, government pays completion bonuses to the employer, that sort of thing. Now why isn't industry doing more of that training itself? Why is it so reliant on government to train staff?

**Linda Heron:** Well, I'm not so sure that it is. So much change occurs in industry all the time, where you've got to continuously update the skills of the workforce to do the job differently. A lot of that has been driven by technology change, also a lot of that training has been driven by legislation change. If I think about food safety as an example, 10 years ago you didn't have to train supermarket employees in food safety. Well, you do now. And that's a cost to business and that is a huge training cost, and that is being funded by business.

**Peter Mares:** Because I guess there'd be a suspicion, looking from the outside in, that a lot of this training in areas like retail, or security, hospitality, cleaning... Why do we need training? Surely, that's the learning that happens on the job, it doesn't need special training courses, does it?

**Linda Heron:** Well, the point is that if you're offering people... And I suppose it gets down to what do you think is a profession? Do you think management is a profession? Do you think that managing a retail business that turns over $25-million a year has skills attached to it that people need to learn, and a combination of that needs to be structured learning and also on the job. You can't take away the fact that people gain experience and that is also a skill and knowledge, it adds to their skill and knowledge. And it enables people to have a career, to apply for more senior positions to get to those levels, to earn more money. I think the retail industry is an example, and I've heard this sort of criticism, it comes around every few years. But you know, it is the largest employer of people in the country. It is a service industry and it's all about people, ultimately, and it's about product and it's about people, and that is a skill. If you've ever had to deal with a very difficult customer, who's not happy about a product or a service, then you won't appreciate - and I think hospitality would feel the same way - managing situations like that is not easy, and it does take skill and experience.
**Peter Mares:** John Hart from Restaurant and Catering Australia.

**John Hart:** Yes, I guess we shouldn't mistake these emerging industries as being simple industries to understand, nor should we mistake them as industries that don't require the sort of depth of investment in skills that others do. I mean, if you look at retail and hospitality together, it's 25 per cent of jobs, 25 per cent of employers that employ staff. It's more than that of new jobs, 30 per cent of new jobs, and 45 per cent of jobs for young people. So, it's an extraordinary amount of employment that's growing every day. I mean, comparing it to other industries, it's twice the size of manufacturing, mining and agriculture taken together. And so we can't simply sail it down the river and say, 'Well these industries are industries in which you don't need skills', they are the emergent skills and where jobs will be needed tomorrow.

**Peter Mares:** I don't think anyone's saying you don't need skills. The question is, I suppose, who pays for the training, who puts their hand in their pocket? Now we're coming off a long period of high economic growth, record corporate profits and so on. And the question is, why isn't business investing more? Why are they waiting for government to offer them incentives to invest in this training?

**John Hart:** Well I think in any analysis the amount of investment particularly in traineeship and apprenticeship that comes from the employer is significantly more than that that comes from the public purse. What we are doing is saying 'Because these industries are emerging, we can't afford to pay for training in these industries because they're growing so fast and they employ so many people'... That's a nonsense. And because they are lower level skills, you need to train more people with less skills, and you've really got to come to grips with these emerging industries and funding skills development in those emerging industries, just as we've done in all the traditional industries over past years.

**Peter Mares:** Well, Neil Gow, if we go back to a more traditional industry, I think the conventional wisdom is that a builder, for example, would lose money on the first two years of an apprentice's wages, while they're learning, and then recoup some of that in the next two years when they have got more skills and they're more productive.

**Neil Gow:** Yes, certainly, that was the traditional view Peter, but the research presented by Tom Karmel from the NCVER, this is the National Centre for Vocational Education Research, shows in fact that that traditional view doesn't stand up to research and as John Hart's mentioned, the cost an employer - and I'll acknowledge there are costs to the apprentice as well - in the period of training, is considerable. And our own research indicates that can be as high as $130,000 of cost to the employer over the apprenticeship period, and of course the government incentive paid is about $4,000 from the Commonwealth government.

**Peter Mares:** Is that $4,000 a year, or...?

**Neil Gow:** No, that's for the period of the apprenticeship paid in two tranches, one after commencement and the other at completion. So and the larger portion is paid on completion of the apprenticeship, which is also an incentive to sign people off.

**Peter Mares:** And then, of course, the apprentice qualifies and another company comes and snaps them up and poaches them.

**Neil Gow:** Not necessarily. I mean there are reasons that people stay on with the employer who's been involved in their training...

**Peter Mares:** I guess what I'm suggesting is, should there be a contract that they actually have to stay on for a certain amount of time, or something like that?

**Neil Gow:** I can't see that that's appropriate in our modern labour market.
Peter Mares: Peter Tighe, from a union perspective: are employers investing enough in training.

Peter Tighe: Employers' first focus and their bottom line is always to generate profits. And I think there has been a move away from investing in your human resources to deliver those profits. And I recollect a previous Labor government had a training guarantee levy in place. Now, whilst that wasn't well policed, I think it did change the focus of a lot of corporates, especially in the accounting area, that they should in fact have a budget-line in relation to training. The government does need to do more about encouraging more employers, to make training places available. I know in our area we actually have more applicants for trade training than there are positions. But we also have some infrastructure problems in relation to some of the State governments, [which] actually can't deliver the technical requirements at the college for some of our occupations, because the funding flow from the Commonwealth has been tied to, I think, some of the political games that politicians played in the past, so the training providers can't provide places. But if the employer demand was out there and employers were required to do it - and I think you have to use the carrot and stick arrangement to get that sort of change in place... The good employers are employing, the bad employers are poaching, but we've gone through a period of chronic skill shortage which is now starting to affect our economy and we fundamentally need to change the paternal relationships of the old government business enterprises that we touched on earlier, you know, the electricity companies and the railways...

Peter Mares: They're gone. We know they're gone, yes.

Peter Tighe: They used to over-train to actually feed into the market. That's now stopped and, unfortunately, private enterprising police have not picked up that cudgel.

Peter Mares: Linda Heron, do you want to comment on this issue?

Linda Heron: Well, I think, as much as I hated the training guarantee levy, because I just thought it just became a business all on its own, trying to manage the thing... I think the question has to be that there are employers who are not engaged in the training system. So, I have to totally agree with Peter in terms of 'why is it that some are, and some aren't?', and 'why is it that those that aren't are allowed to continue not to be?', when, you know, this is a skills shortage, this is an Australian issue, this is an economic issue. And I think that's actually the fundamental...

Peter Mares: And they're in a sense free riding on the training investment of other businesses.

Linda Heron: Absolutely. And it happens across all industries, it's not unique to any one in particular. And I think the whole question around... There is only a certain bucket of money, there's only a certain bucket of public money and private money and how best can that be utilised to train the people that we need to train to fill the jobs?

Peter Mares: John Hart, from Restaurant and Catering Australia.

John Hart: I think engagement of the employers in the training system at least suggests two parties, and the other party is the training system engaging back with employers. And it seems to me, if you look at the numbers, that there's an emergence of smaller or micro businesses out there that are employing people, and these businesses find it very difficult to engage with the training system. I'm not sure of the efficacy of having a training guarantee type process in place.

Peter Mares: Some kind of levy as...

John Hart: A levy to encourage these small guys back into the training system. I mean our research suggests that some 70 per cent of them don't believe that training is accessible to
them, because they don't understand the system. The system locks them out, both in terms of its language and its approach, and we need to get the training system reaching out to these small businesses before we use the very blunt stick of a levy.

**Peter Mares:** It's always acronyms you see: the VETS and the RTOs and that sort of thing!

**John Hart:** And they understand it!

**Peter Mares:** No, no, that's right... It's back to those acronyms! I want to ask you all now to give us a brief report card on the Rudd Labor government so far, because prior to the federal election Labor made a strong pitch to voters on the issue of skills and training and in office the government's introduced this productivity places program, one of its first initiatives, promising 630,000 additional training places over five years. It sounds like a lot, but the question is - is it delivering? Neil Gow.

**Neil Gow:** Yes, thanks Peter. Certainly the most recent announcements from the government is now there's some 35,000 persons in training under that additional training places policy. It has to be remembered that this is in addition to, if you like, the normal apprenticeship system we have in place, which in construction is producing some 10,000 qualified trade apprentices in building and construction, per year. Not enough, but that's being produced. Our main concern about the additional places is the government's understandably targeted these towards achieving its social inclusion policies and focusing on people who are long-term unemployed, people who are on parenting benefits, some sort of income support, people with disabilities and also members of the indigenous community. Speaking from an employer's point of view, it needs to be recognised that although the job network is being restructured to offer these people more assistance, we also believe employers should be offered more assistance in order to facilitate the take-up of these people into the apprenticeship positions which, I understand, is a very small amount of the 35,000. So there's a tick for getting the scheme off the ground, but a question mark over the penetration into the apprenticeship area, and we think government needs to give some more support to employers to support the apprenticeship part of the additional training places.

**Peter Mares:** What you're pointing to there, again, is one of the dilemmas of economic success over the years, is that there's still half a million people, I think, unemployed in Australia, but those who've been unemployed long-term... You can't just slot them into an apprenticeship. They may have other issues like, they may be homeless, they may have health issues, disability issues and so on. And they do require intensive support to move into training. Peter Tighe how would you rate the Labor government so far?

**Peter Tighe:** I think it's only one tranche. The productivity placement program, in my view, is well focused in relation to trying to solve some of the unemployment problems we have. It's also focused on upskilling people in industry, which I think is a positive. In relation to the apprenticeship in the schools shortage area, I don't think it'll hit the mark. I'm sorry, Kevin, I think that's one area that you really need to listen to... the structure you've put in place now to listen to industry. In our area it'll have some marginal impact, we don't have stay-at-home electricians who've been parenting that are going to come back into the industry to be re-trained; we don't have huge numbers of people wanting to upgrade their skills. There're certainly some people in there. So, of those 650,000 places over the five year period, the impact on our sector's not going to be great. I think as a first attempt to try and get the level of skill in Australia back on a footing it's a good initiative, but it won't solve what I see as the critical thing which is our chronic skills shortages.

**Peter Mares:** Well, one of the criticisms of the scheme so far is that of the initial allocation of training places a lot of them went to areas that are not actually areas of skills shortage... Things like security, warehousing and storage, retail, cleaning, not perhaps the areas of traditional trades, where the skills shortage is sharpest. Linda Heron, how do you assess progress so far?
Linda Heron: Well, I think that the agenda is clear. I think Skills Australia, I think that's a positive step...

Peter Mares: That was set up immediately after the government came to power...

Linda Heron: Absolutely. And I think the relationship and a stronger connection with industry skills councils is critical. There's a lot of information that industry skills councils have and I think access to information and making informed decisions is what's critical for the future. The point is, though, we just don't have a lot of time to be doing that and I think we just need to get the move on.

Peter Mares: And John Hart...

John Hart: My kids don't get their report card until the end of the year Peter, so I think it might be in fact a little early for the report card. The subject choices look about right, so far. I think the industry-driven nature of the system - and I agree with all the panellists saying that the role of the Industry Skills Council is vital in setting the agenda. The joint commitment of the federal government and states governments in providing the places to existing workers is absolutely vital. The number of places is vital, the targeting to skills shortage areas is vital. So, my short answer is that the menu looks good, let's now get on with it and let's implement to the letter of the menu, and we should all be OK.

Peter Mares: OK, I'm going to invite members of the audience, now, to put a question to the panel, make a comment. Who'd like to get the ball rolling from the audience? Over here, we have a... thank you.

Gerard Murphy: Gerard Murphy from the Air Conditioning and Mechanical Contractors' Association. I believe that whilst it's applauded for the government to put up all those lovely places, particularly for existing workers, I understand that that will be at a bit of a discount, because Cert 4 is going to be worth two places...

Peter Mares: So you'd better explain what Cert 4 is for the listeners...

Gerard Murphy: Certificate 4, in other words an AQF level, that's a level of qualification. Cert 4 will be worth two places, diploma to be worth three places, and an advanced diploma to be worth four places. So their figures are somewhat rubbery.

Peter Mares: So you mean there won't actually be as many places as we've been told; the 630,000 will shrink.

Gerard Murphy: They could shrink because they were all decided to deliver it at an advanced diploma would be only worth one quarter of that.

Peter Mares: OK, any of the panel want to comment on that?

John Hart: I think it does need to be to the letter of the law. I mean we do need the 630,000 places, and any stepping back from that will undermine the basis of that projection. At the end of the day in retail and hospitality, to get to the target of 50 per cent of workers sitting at a Certificate 3, in our industry alone we would need 650,000 places. So, it's already shy of what we need to achieve the targets, but we must make sure that that commitment is lived up to.

Peter Mares: One at the back here.

Wendy Blair: Wendy Blair from Australasian College in Sydney. We train people in beauty and hairdressing - hairdressing being one of the occupations in demand. Now I agree with [the Department of Education, Employment and Workplace Relation's] Productivity Places Program, I agree with the targeted areas but I'm not sure that everyone's aware that there's a
generic funding formula which is causing huge issues, as its costs at the moment... If you look at the college prices, somewhere - not our college but every college price - it'll cost you somewhere between $12,000 and $20,000 to train as a hairdresser. That's it. You're Certificate 3 level, which is the trade level. Currently the Productivity Places Program offers $5,000. So, either a college is going to go broke doing it, or do what we and other of our colleagues have done, reject the contracts offered to us, as we know we can't offer quality training. And I'm sure that if it's happening in our area, it may also be happening in some of the other industry areas.

Peter Mares: I mean, essentially you're saying, there's not enough money in the kitty, it hasn't been funded adequately. Peter Tighe.

Peter Tighe: To my knowledge on it, Peter - and I think the earlier question touched on it too - there is an allocated amount of money for a so-called place, and there's a cap on that. So, if you go to a high level qualification that's more expensive, then obviously that would acquaint to two or three places, because that's a funding that's associated with that. I think the funding model needs to be finalised and fine-tuned and it's currently being negotiated between the State and Commonwealth as to how that disbursement will take place.

Peter Mares: It raises an interesting question, which is whether - and I know this is a live issue debated within the sector - whether vocational training should be treated like university training, that is, with an income-contingent fee scheme. In other words, like HECS for university, that you can have your training paid for and then pay it back when you start earning above a certain amount of money. Is that something that should be being considered for vocational training? Neil Gow?

Neil Gow: Often this is thrown into the debate as though it's some alternative to the public funding model that's been in place for many years and there are commitments from governments to maintain. However, given that not only should that public funding model be retained and, in fact, given the public benefit of vocation education training be increased, there can be a place where people in fact may have access to an income-contingent loan for higher level qualifications in order to pursue that study. Just acknowledging that there will always be a limit to the amount of public funding available, but our position is that that should be increased to acknowledge the problems we've got with skills shortages.

Peter Mares: Peter Tighe?

Peter Tighe: Well, we certainly wouldn't support that sort of scheme at a trade level because we believe that at that level it would in fact be a prohibition in relation to increasing training numbers.

Peter Mares: You'd put people off?

Peter Tighe: It would do. At I think at the level that Neil was talking about, the associate diploma, once you've gone past that level and you want to move into a technical professional area, then I think it should be available to people because they can see that they will actually have some finance to underpin a career aspiration.

Peter Mares: OK. Back to the floor. Over here, thanks.

Ian Curry: Ian Curry, from the Australian Manufacturing Workers Union. As I understand, $1.8-billion or so that's been ploughed into the productivity places program on top of the training centres in schools, my fear is that the whole thing simply gets left to the market that has delivered us with the skill shortages in the first place and it doesn't seem to me that there is a very strong industry focus coming back the other way about how that money ought to be spent. And that money could disappear very rapidly, or be under-subscribed at the very time when we need it the most.
Peter Mares: What are you proposing, there? That there should be more policy direction here, more targeting of the money?

Ian Curry: I don't think we can afford to leave it to the market - that's really the key issue. And what we hear I think from the Rudd government is that there's a fair degree of comfort with market based solutions. And I guess my proposition is that's the market that's left us with the issue that we confront.

Peter Mares: Does the panel want to respond?

Neil Gow: It's been mentioned already that the industry skills councils have a key role in advising Skills Australia about this matter, but of course we're on a new paddock here, Peter. This is a new game for them and it's a big ask for them. And although they do now have some certainty in their funding over a three-year period, nonetheless they have to respond to this quickly, so there are consultations being undertaken. I would hope and expect that those consultations have some substance and industry skills councils can advise Skills Australia, who in turn can advise the government about the allocation of those funds into the most important areas of skills shortage, thereby not leaving it just to the market.

Peter Mares: OK, I know there's a couple of apprentices here over on table 20, I don't know if either of you want to make a comment about the wages you get and whether the incentives to stay, sticking with your trade, whether they're good enough, or...

Apprentice: It depends where you work. If you're in domestic you're basically getting short-changed. If you're in commercial you're getting paid a lot of money.

Peter Mares: You're an apprentice plumber, right?

Apprentice: Yes.

Peter Mares: So if you're working, you mean doing domestic jobs, then -

Apprentice: Your pay's about half as much as you get paid on a commercial site. Because I've changed to a commercial site and my pay's double. I'm not complaining, but...

Linda Heron: Congratulations!

Peter Mares: And do you have friends who are leaving apprenticeships because the money's not good enough?

Apprentice: In some of them, that's the case. But basically it's just you're not getting paid enough as a first- or second-year apprentice, which is what your statistics show, living just above the poverty line.

Peter Mares: OK, thank you. Now I think we only have time for one more question.

Carmel Coate: Carmel Coate, from the National Fire Industry Association. I wondered if anyone on the panel wanted to have a comment on how we change the aspirations of parents for their children. How do we get the community to respect that you're not just a tradie, you're not just a fire-sprinkler worker, an electrician, or whatever. Anyone got any comment on how we can change that?

Peter Mares: Well I think that's a great point to end on, so I'm going to invite all of the panellists to have a quick comment on that... The more cultural issue about valuing the trades. John Hart, do you want to start off?
John Hart: We get a lot of this aspirational stuff because we've got a lot of parents that want their kids to do hospitality diplomas and be managers and at the end of the day what we need are people that are trained cooks, and people that are waiters, and people that have the skills to do the job. So I think part of it is: get some of those aspirational type jobs that are nice to aim at, whack a HECS on them, so that they're going to cost money for the people who are going to do them; make the stuff that the government's prepared to pay for free, down at the trades levels where we need people, and make the hip-pocket talk. That'll send them back to the trades pretty quick smart!

Peter Mares: Peter Tighe, I'll come to you next... National Secretary of the Communications, Electrical and Plumbing Union.

Peter Tighe: Look, I think one of the problems is that the vocational guidance secondary students get at the present time - with all due respect to the High School teachers that act in that area, they've actually come through a system of tertiary education for university. So, if you understand that system, you're more likely to have a bias to that system and say 'If you really want to progress in life, then you should look at tertiary education, actually getting a professional qualification'. I mean, we had the debate ten years ago about IT. Everyone getting into IT because that's the way forward. Well the IT industry's changed, the hardware side of it is now throwaway: you don't have a technician that repairs your computer, you go and buy another one because they're that cheap they can be manufactured that quickly. You don't actually go out and write a software program now, you buy them off the shelf. So, that door closed as quickly as it opened. What you need to do is have people in vocational guidance that actually understand the trade occupations and the areas of skills shortage, because if you're in the right job in one of those vocations, you can earn a salary package equivalent to $100,000, $120,000 a year. Go out and try and bring a plumber or electrician in to do some work at home and see how much it costs you, because there's a skills shortage out there, it is a labour market that in fact supplies wages to reflect that shortage. What we really need to do is get government to start to get involved in marketing the occupations, that it's a good trade, it takes you somewhere and if you keep on trying, you can finish up as a Secretary of the Union that looks after them. (laughs).

Peter Mares: Neil Gow.

Neil Gow: I think it's ironic that the skills shortages we've been experiencing in the trades are actually producing part of the solution itself. People with high aspirations for their children in marriage partners, are now looking more for electricians and plumbers and carpenters rather than dentists and lawyers. And that's sort of anecdotal as well: the value of trades people in our community seems to have improved and the greater recognition in the skills shortage situation. There's also a lot that has been done with career advice, and these are all important parts of the mix in raising the status of the trades, and of the people who are engaged in them and therefore will lead on to entrance into the trades. And we're not actually in a situation where entrants are falling off. One of the issues you touched on initially is making sure those people complete their training. But in fact, I have regular phone calls where people cannot access places within the vocational education training system that are publicly funded. They've reached the limit in areas and there needs to be more money spent in that area. We don't want to miss the opportunity of this swing back to the trades by being stingy with public funding.

Peter Mares: And Linda Heron, a final comment from you.

Linda Heron: I do think that it is marketing and I think that for apprentices and to parents, being able to sell them the benefits of a child of theirs doing an apprenticeship, in terms of even being able to go and eventually manage their own business, own their own business and employ others... So, I think there's more on that that can be done. The other part is the careers teachers in schools and their lack, perhaps, of experience, because they've never spent time in vocational education and training, in that sector. And so I think that there is an opportunity to be training careers teachers to be giving more generic advice rather than an education advice through the tertiary sector. And what are the different pathways for young
people? Because there's more choice available than when any of us went to school. When I went home and told my mother I was leaving university to join Coles full time she cried. So she hasn't cried any more. But you do have to manage the aspirations of that generation for their children, and that is just a fact and you've got to work out ways of which that has to be marketed and sold. And the same thing will happen with the next generation.

Peter Mares: You've been listening to a forum organised by the National Centre for Vocational Education Research. Our four panellists were Linda Heron, who runs her own human resources company and provides advice to government as a member of the National Industry Skills Committee; Neil Gow, National Manager of Training Policy for the peak industry association Master Builders Australia; Peter Tighe, National Secretary of the Communications, Electrical and Plumbing Union and John Hart, Chief Executive Officer of the Industry Association, Restaurant and Catering Australia. You'll find a link to the National Centre for Vocational Education Research and its many publications here on the National Interest website. I'm Peter Mares, I hope you can join me again at the same time next week In The National Interest.

Guests

Neil Gow
National Manager Training Policy, Master Builders Australia Inc

Linda Heron
Principal, Heron Human Resources

John Hart
Chief Executive Officer, Restaurant and Catering Australia

Peter Tighe
National Secretary, Communications, Electrical and Plumbing Union (CEPU)

Further Information

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