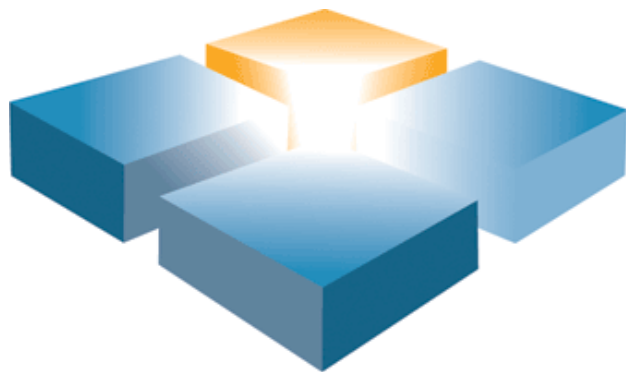

Response to the COAG Australian Apprentices Taskforce Discussion Paper

July 2009



CHAMBER OF
COMMERCE &
INDUSTRY
QUEENSLAND

Introduction

Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to make this submission to the COAG Australian Apprentices Taskforce. Given the significant impact of skills shortages on Queensland business and the economy over the past few years, it is vital that governments and industry support the continued investment in skills and workforce development.

Australian industry needs a skilled, flexible and motivated workforce that further contributes to productivity gains and drives economic growth. Ensuring that the available workforce has the skills and knowledge required to meet the workforce needs of employers is a prominent issue for business and industry.

If the training momentum is not maintained or increased, there is danger that Australia could find itself in the perverse situation of exacerbated skills shortages during a time of weakened labour market demand. This could prolong the economic downturn rather than providing a way for the Australian business community to expand activities to return to economic prosperity.

There is a great risk to the future growth of Australia's productivity during a cyclical rebound if training and skills development does not continue. This risk is not limited to Apprentice commencements and completion but across all areas of the national training system including existing worker upskilling, language and literacy, higher level skills, mature-age upskilling and the professions.

The COAG Australian Apprentices Taskforce is a welcome initiative at a time of great uncertainty about both the extent of a reduction of current economic activity and its duration. There have been many vulnerabilities exposed by this period of economic downturn, as well as reassuring signs that the fundamental structures for maintaining and developing further the national skills base remain in place. Indeed, this taskforce and its discussion paper are indicative of the national priority of maintaining the level and quality of skilled workers across Australia.

While we acknowledge the significant impact that the economic downturn has on the economy, we caution against a short term focus in response to immediate economic conditions. Momentum must be maintained in the long-term efficiency and effectiveness of the whole national training system, of which Australian Apprenticeships is only one aspect of the broader skills and productivity agenda. A balanced approach to drive continued investment across all areas of training and skills development and avoiding artificial supply-driven market adjustments should be taken.

CCIQ believes that the Australian Apprenticeship taskforce needs to concentrate on a number of key objectives. They are:

- Linking 'broad-based' workforce skills development to industry need
- Sustaining the level of 'broad-based' workforce skills development during times of reduced economic activity
- Ensuring an adequate supply of skills post-downturn to drive productivity and economic growth

The Changing Economy for Skills

Certainly economic growth is cyclical in nature and just as previous downturns in the early 1990's and 2001 resulted in contractions in training investment, it is reasonable to expect future economic cycles to bring fluctuations in training numbers. This presumes a need for long-term solutions that addresses the underlying and systemic causes of fluctuating industry commitment and investment in Australian Apprenticeships and other forms of training.

CCIQ does not question the severe impact the current economic downturn has on business viability and associated reductions in employment opportunities and training capacity. Certainly Queensland businesses have indicated that the economic downturn has reduced their capacity to invest in training and skills development. However CCIQ see a need for careful analysis of the current effects on training capacity in the context of historical training data, regional variations and future economic forecasts.

Survey Statement	Strongly Agree %	Agree %	Neutral %	Disagree %	Strongly Disagree %	Index %
The deterioration of the Australian economy will ease the pressure of the current skills crisis in Queensland.	5.2	32.9	27.9	24.9	9.1	50.0
The current slow down in the Queensland economy will reduce your business's capacity and interest to employ new apprentices and trainees.	23.3	30.3	26.5	14.1	5.8	62.8
As a consequence of the current slow down in the Queensland economy, our business will be forced to reduce its spending on training.	20.0	27.6	22.9	22.2	7.3	57.7

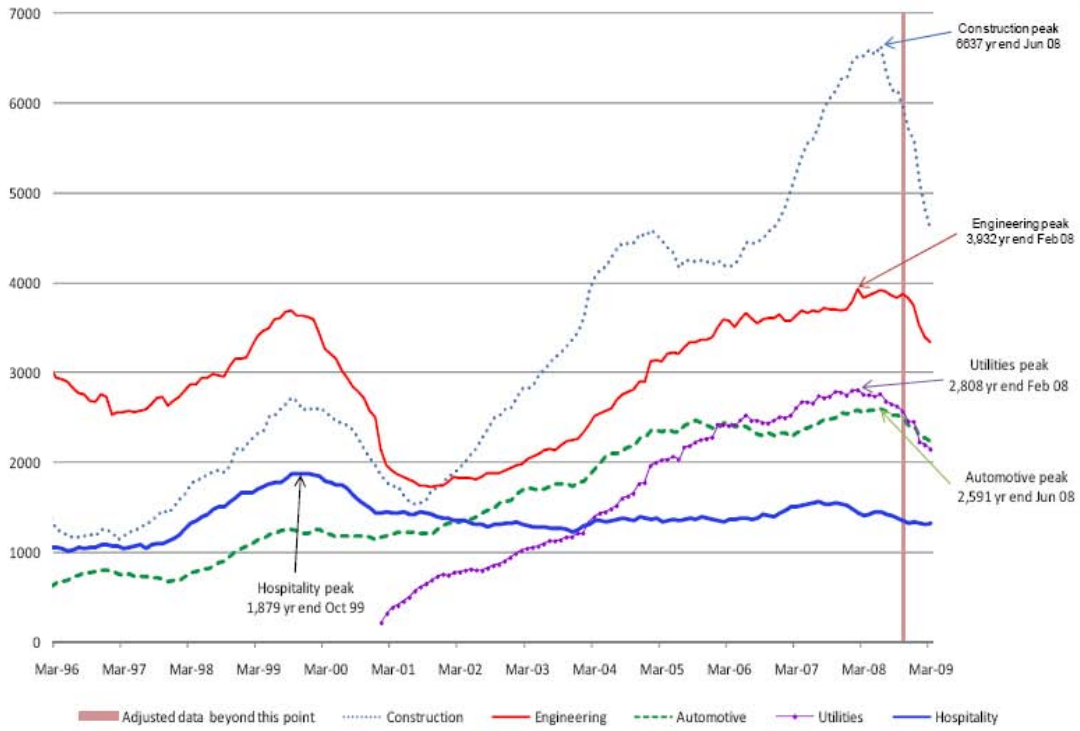
Source: CCIQ 2009 Pre State Election Survey

Anecdotally, Queensland employers indicate a strong desire to retain their skilled employees and where possible are continuing to employ apprentices and trainees, reflecting recognition of the importance of training to avoid the past skill shortage issues. Queensland employers also report that, despite ample supply of applicants for advertised vacancies, skills shortages remain an issue as job seekers lack the required level of skill and experience. Furthermore many regional and rural locations continue to be crippled by severe labour and skills shortages.

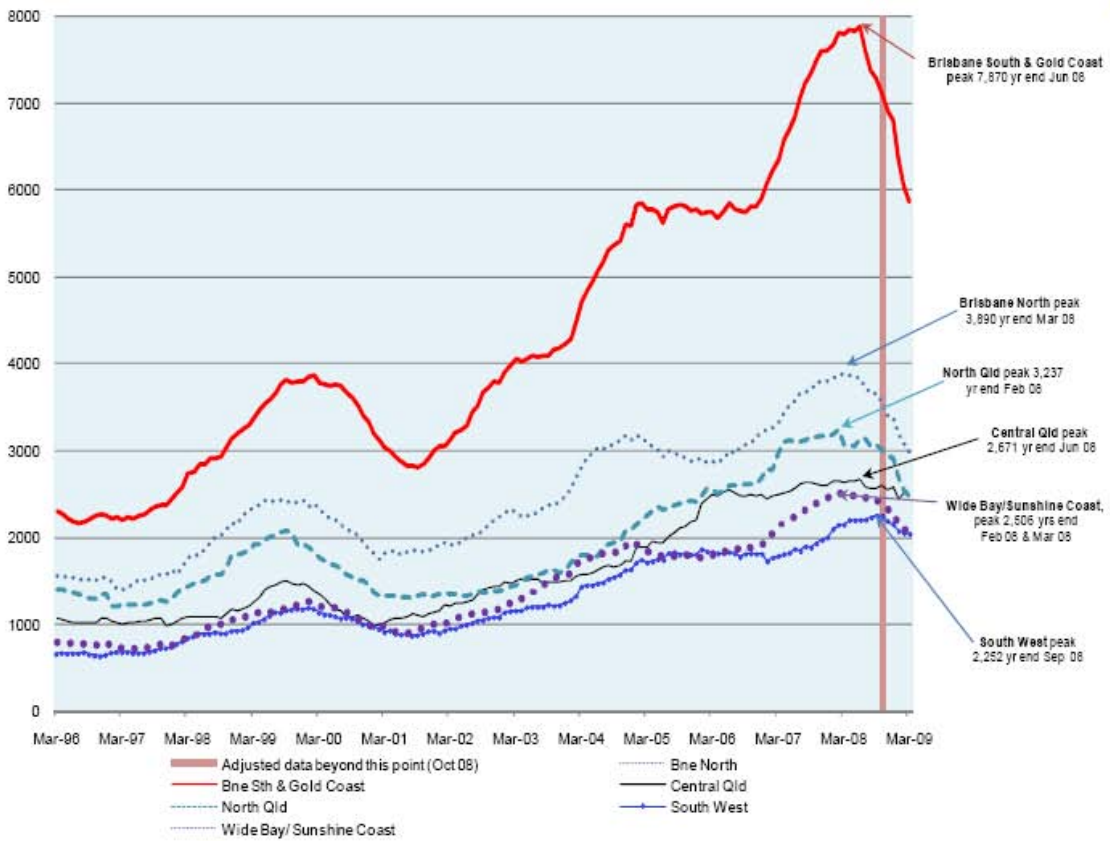
Data on Apprentice and Trainee commencements in Queensland suggest the anticipated decline in training may not have occurred to the extent initially forecast. While there has been a decline in apprentice commencements of approximately 19% across all industries, this decline has come from extremely high levels in the historical context, falling back only to 2006 and 2007 commencement levels. Comparing industries, much of this decline has been in the construction industry (historically one of the highest employers of apprentices with the most dramatic increase over the past few years and aligning with the sectors strong growth of the past few years) with other major industries including utilities, mechanical and hospitality, experiencing declines of a less concerning rate.

The decline in commencements was reflected to the greatest extent in the south-east corner and the far north regions of Queensland while the remaining regional areas maintained relatively strong commencements for apprenticeships. In particular, the Central Queensland and South West regions experienced declines of between 5% and 6%.

APPRENTICESHIP NEW COMMENCEMENTS FOR SELECTED INDUSTRY TRAINING GROUPS, MOVING 12 MONTH TOTALS
 (Adjusted data used for October 2008 to March 2009)



APPRENTICESHIP NEW COMMENCEMENTS FOR TRAINING REGIONS MOVING 12 MONTH TOTALS
 (Adjusted data used for October 2008 to March 2009)



Much of the unemployment arising from the economic downturn has been for unskilled or low skilled workers. Again industry feedback indicates a preference to retain skilled workers and apprentices and to release low skilled and non-permanent/contract workers in the first instance.

Caution must be taken when considering initiatives and incentives to drive increased commencement and retention if there is not a future need for those skills. Industry training and Australian Apprenticeships are mechanisms to deliver the workers required to meet business needs. Accordingly there must be employment opportunities at the end of the training to ensure a positive return on investment. Not all industries, nor regions, experience the same fluctuations in economic activity and skilled labour availability. Therefore the response required will vary across sectors and regions. This suggests a strong need to thoroughly analyse industry trends in the historical context and match economic projections to industry need.

Securing and Maintaining Investment in Skills for the Future

Industry Incentives

Many of the policy initiatives listed and indicative actions stated, for retaining apprenticeship numbers centre on provisions of financial support for Australian employers in the form of incentives for employing, retaining and sustaining apprentices.

Certainly current levels of incentives for business under User choice and Targeted Initiative Funding only meet a small proportion of the total cost of employing and training an apprentice. However increasing incentives for employers may add to a culture in which the development of skills is a national responsibility to be exercised by governments (and funded by the tax-payer), much more than the enterprises that employ skilled workers and rely on them for their continuity and profitability.

Increasing incentives to fund the full cost of training may lead to a 'welfare dependence' by Australian enterprises, rather than them taking a greater and more strategic approach to skill development of their workforce. While increased incentives may seem reasonable over the short-term, additional programs and incentives focussed on enterprises may well result in lower levels of enterprise engagement and their responsibility for the provision of apprenticeships and skill development over the longer-term. This makes more difficult the task of developing a mature and collaborative approach to workforce skills development.

Any changes to incentive programs therefore must be balanced with strategies that nurture a greater commitment by enterprises towards Apprentices and broad workforce skills development over the longer-term. Incentives must also be directed to the greatest area of need and in areas where long-term viability of the industry and employment opportunities can be guaranteed. This does not automatically imply that current skills shortage occupations and past growth industries correlate with needs of the future economy and emerging markets post-recovery. To maximise the return on investment, incentives must be prioritised to small businesses who do not have a history of significant training investment and to regional areas where the capacity of the national training system needs to be further developed.

Building Industry Capacity and Demand

A strategic and national approach to workforce planning would drive long term commitment and investment in apprentices and workforce skills development. Supporting business to identify and manage future workforce trends will drive employer demand for training and encourage employment of apprentices. Therefore directly funding workforce planning initiatives for all businesses is a strategic investment producing long-term demand-side returns in the national training system.

The demand for training and apprentices must also be driven through a national employer-targeted promotional and marketing campaign. Internationally other governments have invested significantly in a coordinated national message on skills and training during tough economic times including strong business cases and research demonstrating the return on investment and workplace productivity returns (e.g. Canadian 'Now's the Time' and 'Skill Up' campaigns and UK 'Time to Train' campaign). Certainly there has been no coordinated attempt by Australian governments to communicate the priority for training to industry.

The Australian Chamber of Commerce and Industry has recommended the establishment of a '*Building our Future Club*' so that employers who show a strong commitment to skills development and training can be publicly recognised. The UK government has in place an employer 'Skills Pledge' program which aims to achieve a shared understanding of the value of training and encourage businesses to invest in skills accordingly. CCIQ strongly recommends Australian Governments consider mechanisms to encourage employer commitment to training and to take a more active role in the promotion of skills and training through a coordinated national campaign.

Supporting Completion and Retention

Apprenticeship non-completions are a major concern for the Queensland business community and are a significant drain on the national training effort. Increasing completion rates will lead to better return on investment in training for employers and governments and increase the skills level of the Australian workforce.

ACCI has recently completed a research project examining the issues of apprenticeship non-completions from an employer perspective. The research found that retention and completion rates are closely linked to the way apprentices are managed by the employer. Consideration should be given to offering employers training on communication skills, motivating staff, performance management and employee relations.

Equally important, actions to ensure young people (and mid-career workers) have the information to make informed and appropriate choices aligned with their interests regarding training, skills development and apprenticeships should be considered. Certainly industry relevant career advice and counselling and opportunities for quality industry and workplace exposure strongly influence commencement and retention.

Ensuring adequate supply of skills for the future

As is orthodox, much of program and policy emphasis in the discussion paper is directed towards young people. Yet, positioning apprenticeships as being primarily for young school leavers has many shortcomings for providing the level and kinds of skills required post this period of reduced economic activity. Firstly, it is unlikely that the current rates of young people's non-completion and attrition within apprenticeship programs will be reversed by the current suite of programs, as they do not appear to be addressing the issues that underpin them. Moreover, as new workforce entrants continue to be fewer in number, skilled workers will increasingly be sourced from within the existing workforce.

Increased commitment to upskilling existing and mature-age workers to trade level or higher level qualifications is an approach that minimises training costs and maximises return on investment. In many cases, existing workers have a sound level of knowledge of the work environment and the required job specific skills base. Existing workers also have had exposure to the industry, and unlike many new entrants, will have formed an understanding of the nature of the work and preconceived expectations of their employment within the industry, and thus have increased likelihood to complete training. The Support for Mid-Career Apprentices programme needs to be more widely publicised amongst employers and the benefits of upskilling existing employees made more explicit.

Also absent in the discussion paper is reference to or measures to address the gender bias in apprenticeships. Without the greater engagement of young and not so young women in apprenticeships, this provision of entry level training will remain restricted to a largely male cohort, and these women will be denied opportunities to pursue careers in trades and Australian enterprises will be denied access to their skills.

Hence, it would be useful if the Taskforce could identify ways in which the apprenticeship provision could be more inclusive of Australians beyond male school leavers. It may well be that only through securing apprentices outside of this cohort that an adequate provision of skilled workers can be realised for the future social and economic needs of the Australian community.

The Commonwealth Government must also consider changes to the current stipulation that Australian Apprentices (not in areas of skill shortage) are not eligible for incentives if they have 'a prior qualification within the last 7 years' to encourage more existing workers and re-entrants to undertake adult apprenticeships.

The 2009/10 federal budget saw significant changes made to the Tools for Your Trade program. The incentive payment is now made directly to the apprentice and is not targeted towards any specific workplace benefit. ACCI sees considerable merit in retargeting this incentive to ensure that it provides valuable tools and equipment for use in the workplace. The payment should be made in the form of a voucher for use on tools and equipment specifically related to the apprentice's field of training.

Alternative Approaches and Training Models

Some stakeholders are promoting an approach that advocates institutional pathways as providing opportunities for students to complete their off the job training before they undertake the workplace learning component of their apprenticeship. This style of learning is strongly opposed by ACCI members and has enjoyed limited success overseas.¹

CCIQ members are resistant to the implementation of institutional pathways models in order to artificially prop up apprentice numbers during the economic downturn. There is a very real possibility that apprentices enrolled in institutional pathways will be unable to secure employment upon the completion of their training due to a lack of industry confidence in the rigour of the fully institutional training pathway and the apprentice's lack of exposure to workplace culture. Industry has concerns for the quality of an institutional pathway and the fact that the apprentice may be unable to contextualise their learning in a workplace setting.

However, CCIQ supports an approach that strengthens pre-apprenticeship pathways² with a strong workplace experience component as an alternative to institutional pathways. This provides an opportunity for school leavers to gain some basic knowledge alongside workplace experience and makes the graduate a more appealing apprenticeship candidate. In this way, the integrity of the apprenticeship is maintained.

¹ A dual system, where the apprentice completes two years fully institutionally based before being placed with an employer, currently operates in Germany. Reports have shown that apprentices under this system enter the workplace lacking the work culture usually gained in the first two years of an apprenticeship and experience a productivity lag with apprentices adjusting to the transition between full time learning and full time work. The German dual system is also characterised by large numbers of apprentices finishing their 2 year study period but failing to find an employer for the remainder of their apprenticeship.

This style of learning is not consistent with a competency based approach where learning takes place through a combination of underpinning knowledge and skills and application in a real work setting. While it is possible to undertake learning fully in the workplace, it is not possible to undertake learning fully via an institution. These models devalue the contribution of the workplace to the learning and contextualisation of skills.