



# Touching the future

By Julius Roe

INVESTMENT in training by employers has fallen. Many workers and employers cannot participate in training because the intensification of work has meant that there is no time for training. The response to this problem by governments in the last decade has been to rely on the very market-based mechanisms that are the cause of the problem rather than its solution.

These market-based approaches shift public funds to the least intensive training and to those who are easiest to train. This is the natural way for providers and the intermediaries who are engaged to recruit students and employers to maximise their returns in the market. This is best illustrated in the apprenticeship and traineeship market. Despite massive investment the results have been:

- continuing skills shortages in key trade areas (Group Training Australia still reports there are up to six applicants for every position in traditional trades in Victoria);

- massive overtraining in areas where there is little need;
- massive diversion of public funds to very low-level induction training which employers had previously funded and which they would still fund without government funding and subsidy;
- a great deal of very poor quality training and in some cases no training at all;
- a dramatic fall in completion rates; and
- a proliferation of intermediaries who 'generate' the demand in the areas which maximise through put and seek to place trainees where there is the least training effort to maximise returns.

In other words this is natural market behaviour in conditions where there is confusion about who are the providers and who are the customers.

Is a company like McDonald's the purchaser or the provider when it runs its own Registered Training Organisation? What about Group Training Schemes linked to employer organisations which also operate RTOs? What about Australian Apprenticeship Centres which effectively dispense government subsidies but are linked to providers or employer organisations?

‘Deregulatory labour market and industry policies pursued by governments have reduced demand for quality training. This problem cannot be overcome simply by a generalised increase in the supply of training.’

Another reason why the market approach is failing is because there is clearly inadequate demand in some areas and too much in others, but the funding is provided regardless. The result is that the providers, the intermediaries and the employers generate the demand in the easiest and most profitable markets.

And who is the customer? Is it the employer or the worker or the student? Under the apprenticeship funding system it is the employer who is the user who chooses, but in a flexible labour market shouldn't it be the worker or student?

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These blunt policy instruments tend to lead to unexpected and unintended consequences. For example, when the Federal Government cut subsidies to existing worker traineeships at Australian Qualification Framework 2 (AQF2) to avoid rotting and churning, there was a big increase in AQF3 traineeships in the same occupational areas. So the experience of this experiment over a long period of time would surely lead us to be cautious about the efficacy of the market principles of contestability and general entitlement (i.e. not picking winners) in meeting the outcomes.

However, these principles seem to be central to the current Council of Australian Governments (COAG) agenda driven by the work of the Boston Consulting Group.

In a labour market where there is considerable mobility and lack of employment security it is quite inappropriate for the individual employer to determine what skills are taught given that the worker may soon face the need for change and that the skill needs for the industry may already be changing. Of course, more client focus and responsiveness in training delivery is important, but demand should be driven by broader industry, workforce development and community needs and analysis. The sum total of ‘individual business choices’ will not meet the broader future needs of industry, the workforce and the economy.

The Howard Government tried a similar free market approach to the problem of existing workers without any post-school qualification by introducing a voucher scheme.

Of course, those who take up such vouchers are those who are the easiest and cheapest to train — these are the clients that the providers and intermediaries seek out to maximise their uptake and their return.

Such schemes don't deal with the real barriers to existing worker participation in training — fear of training, lack of time for training and lack of appreciation of the value and relevance of training.

What is required is a scheme that actually involves the workforce and develops union and workplace representatives as champions of training and advisors on training. What is required is an industry-led process of skills needs analysis that recognises existing skills and develops a training plan to meet the future needs of the workforce and the industry. The current approaches either seek to meet the immediate and usually narrow needs of individual employers, that is put public money into training which the employer would otherwise have to invest in themselves, or seek to meet the needs of the training provider to maximise utilisation at minimum cost. ❖



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