



# FACT SHEET



## Skills Shortages

In the early 1990s, reforms of the TAFE system were negotiated between the Commonwealth and State governments, the union movement and business to create a national training system. The system was to be competency-based and industry-driven, and provide Australian workers with nationally recognised portable vocational qualifications. An historic agreement between the Commonwealth and State governments delivered the vocational education and training systems an assurance of funding, including growth funds, from the Commonwealth government in return for a say in the running of the system. Since that time, the VET system in Australia has almost doubled in size, so that in 2004 there were almost 1.7 million VET students.

In 1996, the Howard Government was elected. This election marked a period of significant change in direction. The drive to give control of VET to business, combined with calls for greater efficiency and an imperative to privatise under the banner of User Choice. Marketisation of vocational education and training culminated in the late 1990s in the period of “growth through efficiencies”. In less than five years, private providers’ share of the market grew from almost nothing to as much as 20% in some states. Since 1997 total Commonwealth funding for VET has fallen by 6.5% in real terms.

During the recent election campaign, skills shortages emerged as a major issue. In July 2004, the ACTU released a background paper estimating that in the next five years 170,000 tradespeople would leave the workforce and only 40,000 would enter it. This left a shortfall of 130,000 skilled workers over the next five years.<sup>1</sup> AiG released a report in September 2004 in which it claimed there were national skills shortages at about 21,000 workers.<sup>2</sup>

The Dusseldorp Skills Forum also released a report in 2004 which argued that the rate at which industry in the traditional trades replenished the stock of skills through taking on apprentices had declined by 16% since the recession of the early 1990s. Major declines had occurred in metals (19%) and electrical and electronic trades (almost 25%).<sup>3</sup> The Dusseldorp report also said that between March 1997 and March 2004, the proportion of teenage apprenticeship starts in traditional apprenticeships fell from 40% to 33%.

During the Federal Election campaign in late 2004, as the warnings of an impending skills crisis reached a crescendo, with ACCI arguing that skills shortages had replaced tax complaints as their biggest concern, the Howard Coalition announced a series of initiatives to address the issue of skills shortages. These included funding for Toolboxes, establishment of an Institute of Trade Skills Excellence and culminated in a \$289 million announcement of the establishment of 24 Australian Technical Colleges for 7,200 students over the next four years. Weeks after the election, the Howard Government announced the abolition of the Australian National Training Authority (ANTA) and a complete overhaul of the national training system.

The Skills at Work report an evaluation of New Apprenticeships released by the Howard government in March 2005, showed that during the period when skills shortages were emerging, the number of people commencing a trade apprenticeship declined by 2300 (2000 – 3), and the overall number of trade apprentices increased by only 13000 between 1996 and 2003. The report also shows that the government has spent \$1.8 billion in employer subsidies under the new apprenticeships schemes between 1998 and 2004, with traineeships in retail, rather than traditional trades areas being the largest beneficiaries of these subsidies. In other words, relatively generous employer subsidies have failed to address the skills shortages.

Pat Forward, Federal AEU TAFE Secretary, April 2005.

<sup>1</sup> ACTU Background Paper *Australia's Looming Skills Shortage*, July 2004, page 1

<sup>2</sup> AiG *Australia's Skill Gap – Costly, Wasteful and Widespread*, September 2004, page 7

<sup>3</sup> *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Phillip Tour, July 2003