



DISCUSSION PAPER

Skills Shortages What causes skills shortages? Trade union response to skills shortages

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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.¹ AiG released a report in September 2004 in which it claimed there were national skills shortages at about 21,000 workers.²

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%).³ 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.

¹ ACTU Background Paper *Australia’s Looming Skills Shortage*, July 2004, page 1

² AiG *Australia’s Skill Gap – Costly, Wasteful and Widespread*, September 2004, page 7

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

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.

What causes skills shortages?

Skills shortages are caused by a range of different and often interrelated issues, and emerge over a period of time. In the Australian context, skills shortages are affected by the following system failures:

- failure of government planning and investment
- failure of business planning and investment
- decline in apprentices employed in private sector
- ‘mean and lean’ strategies of some employers
- competitive pressures on small and medium enterprises
- current industry strategies focused on niche specialisation
- privatisation, commercialisation and contracting out in public sector
- changes to the industrial relations system – lower wages and casualisation encourages workers to leave
- casualisation and work intensification have contributed to the decline in investment in the training of existing workers and erosion of the skills basis

Skills shortages are also affected by problems with the existing apprenticeship and traineeship system:

- wages structures in traditional apprenticeships and low rates of pay in some industries affected by shortages
- lack of protection/compensation for apprentices affected by an abuse of system (non-delivery of training)
- collapsing of apprenticeships and traineeships in publicity material and statistical collections disguised emerging skills shortages
- government subsidies provide no incentive/compensation for employers taking on apprentices in traditional trades/skills shortages areas
- use of training subsidy by employers to employ cheap labour
- attrition rates in some traditional trade areas where apprenticeship completion rates average about 70-80% and up to 50% of trade qualified work outside the profession
- salary, working conditions and the physical demands of the job
- changing social and educational trends – a perceived decline in the size and quality and applicants at a time when the skill requirements of most trades are increasing
- poor images of trades
- increased school retention rates – later entry to the workforce – increasing concern about low wage rates

The Howard government and business have offered only simplistic solutions to skills shortages:

- reduction in length of traditional apprenticeships
- boys to leave early to go to apprenticeships
- Australian Technical Colleges
- Increase the influence of business
- Import skilled labour from overseas

Trade union response to skills shortage

The ACTU has developed a plan around six principles to address the skills crisis.

1. Industry Plans

Collaborative development of a specific plan to consider changes to the structure of traditional apprenticeships developed between employers and unions in those industries where skills shortages have been identified. These plans may consider:

- options of higher qualifications outcomes
- credits for pre-apprenticeship and school-based program
- range of on-the-job experience and training required for trade competence

2. Funding

Additional funding from government:

- for 20,000 additional TAFE places in the traditional trades
- for pre-vocational/pre-apprenticeship training and school-based apprentices
- to implement program of matching apprentices with employers
- for improved pathways and for Recognition of Current Competence and Recognition for Prior Learning programs

3. Additional incentives for industry

Additional incentives to employers for

- longer duration training
- training in critical industry areas of skill shortages

4. Skilled Migrant Workers

The union movement will oppose the use of skilled migrant labour to fill shortages caused by government incompetence or employer neglect. However, skilled migration can be used in areas of genuine skills shortages under the following conditions:

- An agreement that this is not a solution to skills shortage but is a means to overcome immediate crisis
- All avenues for up-skilling or existing workers and recruiting local workers exhausted
- Such workers afforded all Award terms and conditions of permanent workers
- An agreed training place in place with union and business making an investment in training
- Apprentices not to be exploited by travel and action arrangements and only to be recruited through accredited recruitment agencies agreement with union over number of workers and length of time
- Offered permanent residency after one year

5. **Integrity of Traineeship and Apprenticeship System**

Defend the integrity of traineeship/apprenticeship system through:

- establishment of office/ombudsman to each state/territory to deal confidentially with apprenticeship/traineeship issues
- employers required to produce agreed training plans prior to receive any government incentive/subsidy payment and employer penalties for refusal/inability to produce training plan
- end to fully on the job training and employers to employ trainees/apprentices under appropriate industrial agreement

6. **Role of Government/s**

Governments at all levels to take a lead role in investment in skilling workforce:

- supply of goods and services to Commonwealth and States contingent on companies' meeting training responsibility
- audit of use of trainees and apprentices and programs to re-establish trainee and apprenticeship stream with the government sector as a model employer.