

# **Has the Apprenticeship System a Future ?**

**The impact of labour market reform on  
structured entry-level training**

**RICHARD CURTAIN**

Report commissioned by the  
Department of Employment, Education and Training

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## Executive synopsis

Survey results show that award restructuring appears to have had little impact on traditional apprenticeship arrangements.

The new entry level training for production workers in a number of industries is mostly restricted to existing employees.

Over 80 per cent of current enterprise bargaining agreements are "add ons" to existing awards. Few agreements have made reference to regulated entry level training and none involve innovative arrangements.

Some 85,800 persons who left school in the 16 months to May 1992 had no post school qualification and had not attended the highest level of secondary school.

Apprenticeships account for 35 percent of all full time male employment for the 15 to 19 age group

On the other hand, institution-based vocational learning outside of universities appears to be used by only a relatively small proportion of the 15 to 24 year olds. Among 15 to 19 year olds, full-time attendance at TAFE or other educational institution only accounted for 7 per cent of the age group. TAFE full time enrolments for 20 to 24 year olds only account for 2 per cent of that age group.

The analysis of available data in the report show that existing work-based training arrangements are:

- \* often narrow in their occupational and age group coverage,
- \* susceptible to considerable fluctuation according to economic conditions,
- \* dependent on government subsidies in a recession and
- \* poorly oriented to the low levels of employment growth and new forms of more flexible employment arrangements.

The proposed AVC training system will address many of the shortcomings of existing arrangements identified in the report. The AVC pilots, however, on the basis of the available information on wage arrangements, show little sign of breaking down the traditional divide between award provisions and training matters. The Career Start Traineeship model been developed prior to and separately from the piloting process. It is a formula for regulating employment conditions without permitting allowances to be made for different types and quality of training provision.

At present, the different elements of regulated training are usually separately negotiated, administered and monitored with a "chinese wall" between the people involved in each of the elements. This separation is also often accompanied by the strict division of labour among trainers and those employer and union representatives on industry training advisory bodies as to what is a "training matter" and what is seen as an "industrial relations issue".

The report proposes that negotiations about future entry training arrangements link an assessment of training provision meaning both the quality of training and the number of training places with the costs of providing that training in the workplace. At an industry level, negotiations between employers and unions should be based on an assessment of the what type of training is to be provided and the number of training places for a given wage rate.

The bargaining outcomes need to balance the interests of trainees, individual employers, industry, the wider community and the economy. To achieve, this, the bargaining must involve having all these different interests in some way represented or taken into account.

The challenge in relation to the future for regulated training in Australia is to "reinvent" the system in such a way as to link together the quality of training provision with appropriate employment arrangements which reflect the cost and benefits to both employees and employers.

More specific, industry-focused negotiations will open the way for employers and unions, if they wish to continue with regulated training, to negotiate new wages and conditions for apprentices in response to the quality of training provided. These new conditions should take into account the value to the industry of higher level skills but also the increased cost to individual employers.

Only in this way are employers likely to commit themselves to participate in a high quality work-based training system.

**CHAPTER ONE: TERMS OF REFERENCE, DEFINITION OF TERMS, DATA COLLECTION, BACKGROUND TO THE ISSUES, AND OUTLINE OF REPORT**

The following review has been commissioned by the Federal Department of Employment, Education and Training to assess the impact on regulated entry-level training of the move to enterprise bargaining as a result of the changes to federal and state industrial relations legislation. The review is intended to be a focus for discussion of the implications of the decentralisation of industrial relations for statutory industry-wide training arrangements involving apprentices and trainees.

The specific terms of reference for the review are set out in the attachment to this chapter. The review is to report on but is not limited to the following:

- \* linkages between industrial awards/agreements and entry-level training, including training outcomes
- \* the regulation of training including the use of declared trades, "vocations or callings" to limit employment to persons under the age of 21 who are party to training contract or agreement as an apprentice or trainee
- \* the issue of training wages and conditions and their impact on the provision of training places and achievement of minimum training objectives
- \* the way in which entry-level training is provided for in enterprise agreements to date
- \* identify any implications for the Australian Vocational Certificate (AVCTS) Training System, including reviewing the student/employee basis of entry-level training and its impact on achieving the targets specified for the AVCTS in the Carmichael Report

**Steering Committee**

The project was directed by a steering committee composed of:

- \* Mr John Nathan (Chair)                      Executive Director, Vocational Training Bureau, Office of Training and Further Education, Department of Education, Victoria
- \* Mr Peter Henneken                              Executive Director, Division of Labour Market Reform, Department of Employment, Vocational Education, Training and Industrial Relations, Queensland

- \* Mr Peter Duffy Principal Labour Market Policy Officer, Department of Industrial Relations, Employment, Training and Further Education, New South Wales
- \* Mr Barry Morgan Assistant Manager, Industry Training, Planning and Coordination, Department of Employment, Industrial Relations & Training, Tasmania
- \* Mr John Stewart Training and Skill Formation Section, Department of Industrial Relations, Canberra
- \* Mr John Heaney Senior Policy Adviser, Industrial Relations Unit Department of Employment, Education and Training, Canberra

The Steering Committee met three times.

### **Background to the Review**

Uncertainty about the relationship between new industrial or employee relations legislation and the legislation governing industrial and commercial training in NSW, Tasmania, Victoria and WA, has been an important factor in the decision to have a review. The proposal for the review arose out of a concern by the Department of Employment, Education and Training, and the three State Training Authorities of NSW, Victoria and Queensland that little was known about the impact of the rapid move to the enterprise bargaining on the legislative and practical aspects of training arrangements for apprentices and trainees.

New industrial relations legislation in Victoria has generated concern about the effect new agreements on wages and conditions might have for apprentices/trainees and the successful completion of their training program. If an employee negotiates a new individual agreement for lesser pay and conditions that militates against the training objectives, it is not clear what authority, if any, the State Training Board would have to resolve any dispute that might arise from such an agreement.

Of particular concern was the New Zealand experience with enterprise bargaining where multi-employer industrial awards were abolished and no provision was made for regulated training involving apprentices. It was also noted that the number of apprentices in New Zealand had declined markedly. Particular attention, therefore, is given to New Zealand's experience with the apprenticeship system and to the impact of enterprise bargaining on entry level training arrangements.

### **The Consultant**

The author of the review is Dr Richard Curtain who returned to the

Office of Training and Further Education after a 15 months secondment to the Public Transport Corporation of Victoria where he was responsible for negotiating and implementing their enterprise bargaining agreement. The author is principal of **Curtain Consulting**, specialising in the linkages between industrial relations and skill formation. The report was written while the author was Manager, Special Projects, Victorian Office of Training and Further Education.

He is the author of an OECD commissioned study of "the emergence of workplace bargaining in a centralised wages system: the new industrial relations in Australia" (1992), a research monograph for the Department of Industrial Relations: **Enterprise Bargaining: choosing an Appropriate Strategy** (1992) and a case study of the introduction of a competency-based training program into a large public sector agency in Victoria: "Implementing competency based training in the workplace: a case study in workforce participation", **Asia Pacific Human Resource Management** , forthcoming.

The contents and views expressed in this report are the sole responsibility of the author and do not necessarily reflect the views of the Departments of Employment, Education and Training or the Office of Training and Further Education, Victorian Department of Education. The author, nevertheless, wishes to acknowledge the assistance offered by the project steering committee.

### **Data Collection**

The review is based on the following sources:

- \* consultations with employer associations, unions, industrial tribunals, government and industry training advisory bodies (see list of persons consulted in the attachment to this chapter)
- \* a survey of the major parties concerned with entry-level training
- \* examination of recent industrial relations and vocational education and training legislation
- \* review of enterprise bargaining agreements at federal and state level
- \* analysis of recent trends in labour market data
- \* reference to recent developments overseas where relevant
- \* conduct of case studies of mainstream and export oriented firms

In response to the above methodology:

- \* some thirty interviews were conducted with the major parties around Australia

\* a questionnaire was developed and despatched to 220 organisations, mainly industry training advisory bodies. A response rate of 34 per cent was achieved

\* a review of federal agreements referring to training issues was conducted. an analysis of 156 of the largest federal enterprise bargaining agreements, covering over 500,000 employees, and all of the NSW agreements was commissioned from the Australian Centre for Industrial Relations Research and Teaching (ACIRRT), University of Sydney. Information on enterprise agreements in WA, QLD and Tasmania was also reviewed.

published labour market data were analysed and a number of overseas studies on UK, Germany, Japan, France and New Zealand were consulted

seven case studies were conducted (available separately from the author)

### **What is structured entry-level training ?**

Structured entry-level training is taken to refer to the following five variations:

- 1) Where State government or Territory legislation prohibits the employment of persons under the age of 21 years in specified occupations known as a declared trade unless the employed person is an apprentice (or qualified tradesperson) in that trade. The employment of apprentices takes the form of an indenture or training contract lodged with a state agency or commission which places obligations on both parties.

The employer is, in the words of the NSW Industrial Commercial Training Act 1989, para 36: 'to take all reasonable steps to cause the apprentice to be instructed in the skills of the declared trade in which he or she is an apprentice, provide all necessary facilities to ensure that the apprentice receives appropriate practical training in that trade, enable the apprentice to undertake and complete the required course of studies and the required course of on-the-job training for that trade ... , give the apprentice all reasonable opportunities to receive such other instruction or training as may be necessary...to learn the skills of that trade and discharge his or her obligations as an employer of the apprentice.

The apprentice, for his or her part, is required to: 'make all reasonable efforts to acquire the skills of the trade ... , accept all instruction and training in that trade ... , complete the required course of studies and required course of on-the-job training ... and discharge his or her obligations as an employee ... The apprentice is regarded as a full-time employee who is paid under provisions specified in the relevant industrial award. The usual length of an apprenticeship is now four years. Pay is made in

graduated steps as a set proportion of the rate for a qualified employee. In recognition of the costs faced by employers for the provision of on-the-job training and as an incentive to recruit, the Commonwealth Government provides grants to employers under the Apprenticeship Training Incentive. Half of the incentive is made on commencement and half on the completion of the apprenticeship. This payment replaced an earlier scheme Commonwealth Rebate for Apprentice Full time Training (CRAFT) which compensated the employer for the apprentice's time off in formal training, usually one a day a week, at a TAFE College.

Not all apprenticeships are alike in terms of the value of the skills training imparted, the cost to the employer and the benefits to the apprentice. A distinction should be made between apprenticeship arrangements that provided training of a high calibre in a set of skills that are in much demand in the labour market (such as aerospace tool maker, or electrical and electronic skills) compared with apprenticeships that impart low level skills as could be said, for example, about hairdressing at the other end of the spectrum. The latter was said by one state apprenticeship board to be the single greatest source of complaints by apprentices that they are being exploited on the grounds that little training is involved and the employer is seen as only seeking a cheap source of labour. A distinction should also be made between apprenticeship arrangements that work well and those that are often observed in name only. The latter is said to apply to many apprenticeships in cooking where employers often poach apprentices after the initial two year training period because of skill shortages and the belief that the trainee has acquired sufficient skills.

- 2) Provision in legislation to permit an employer in a specified occupation (other than a declared trade) known as a declared calling to enter into a traineeship 'agreement' with an employee. The agreement, like the apprenticeship indenture, is to be registered with a designated state agency under award provisions. The Australian Traineeship System (ATS) traineeship is usually for one year with thirteen weeks in off-the-job training. An employer is free to choose to employ a person up to 21 years (the age group targeted for specific Commonwealth support) as a full-time employee. The weekly training wage is calculated for time spent on the job averaged over 12 months. Similar obligations are required of both parties as with the apprenticeship contract of training.
- 3) Recently, Career Start Traineeships (CST) have been introduced to provide a bridge to the industrial arrangements for the Australian Vocational Certificate training system. The CST is an extension of the ATS by providing for greater versatility. The Career Start Traineeships unlike ATS traineeships, cover entry-level training for adult as well as junior-age workers. An employer can also involve existing employees where there is agreement of the industrial parties in the same training program although not under the pay and conditions of a Career Start Training Agreement.



There is provision in the new CST arrangements for variable terms for the training agreement depending on the aptitude of the trainee and the agreed training program. The CST has a minimum duration of a year and up to two years depending on the educational attainment of the trainee, recognition of prior learning/competence, and the training content and competency levels as determined by the industrial parties. An important new element of flexibility in the CST, therefore, is the ability to vary the extent of off-the-job training with corresponding variation of the wage rate.

Since October 1992, over three hundred awards have been varied to include the Career Start Traineeship in areas such as retail (NSW, Victoria, SA, Tasmania and Northern Territory), clerical (NSW, SA and Tasmania), metals (federal), higher education general staff, timber and pastoral (federal awards).

It is important to note that the first three forms of structured entry-level training are based on both a contract of employment and a contract of training. The former is regulated by an award of the federal or state industrial relations systems and by common law. The latter is regulated by state legislation.

### **Forms of Regulated Entry-Level Training**

The difference between apprenticeship and ATS Traineeships as forms of regulated training are important to note in terms of the purposes they serve in the wider labour market.

Apprenticeships are the well established entry point to trade-based structured occupational labour markets dating from the 1880s and where unions in particular have played a key role in initiating and maintaining the regulation now based on legislation.

ATS Traineeships are a recent initiative and were introduced in 1986. The traineeship system was a response both to the high levels of youth unemployment in the early 1980s and to the need for a structured entry level training system in areas not provided for by apprenticeship arrangements. The system was implemented by government often only after extensive negotiations between unions and employers on training content, standards, curriculum, delivery mechanism and accreditation. The industrial concerns between the parties focused on safeguarding existing award provisions, existing workers jobs and appropriate trainee employment conditions.

The original target of at least 75,000 places annually with broad industry coverage (Kirby Report 1985:119) has not been met for a variety of reasons. These include an unrealistic original target, a defensive response on the part of unions to a perceived threat to apprenticeships, and a sometimes inflexible response from unions and employers to the concept of structured entry level training in areas where previously none existed. The average number of commencements for traineeships per year has been 11,500 over the seven years since its inception. A total of 80,500 traineeships have been created to 30 June 1993.

Traineeships have not attained the same status as the apprenticeship system. This is probably due to the shorter period of training involved, the lack of attention given to quality training in the workplace by many small employers, and sometimes poor communication between the training providers and employers.

The circumstances surrounding the origin of traineeships and the data on employer attitude shown in evaluation studies strongly indicate that traineeships are not regarded by many employers or trainees as entry points to occupational labour markets. Traineeships are likely to be regarded predominantly by many employers and are seen by a significant number of trainees as a means of selecting a suitable employee through a probationary period of employment.

- 4) **Another type of structured entry-level training is not regulated by the state but is a prerequisite to obtain the right to practice in a profession or applied field of work. These qualifications are mostly acquired off-the-job, but are supplemented by a period of on-the-job training. Graduates of tertiary institutions in a number of professional areas are required to undertake further training after graduation as medical registrars, psychologists or article clerks to being admitted to the relevant professional body. Other tertiary courses include opportunities to acquire on-the-job experience to make the education to work transition easier. In some**

instances, educational bodies in applied areas such as design can require a period of work placement as a condition for graduating.

- 5) The restructuring of awards governing the pay and conditions in a number of industries based on the development of new career paths has given rise to new entry-level training arrangements where none existed previously. This refers to the use by industry of qualifications as the basis for entry to employment. It is now possible for employees at the bottom of the pay scale to undertake training within a structured framework of both off and on-the-job instruction. It is replacing the unstructured approach of the past to entry-level training for production workers and other operatives which was typified as 'sitting by nellie'.
- 6) The remaining form of structured entry-level training is that provided by the employer through initial induction training and a more or less formalised process of job rotation with associated on-the-job training under supervision. This form of entry-level training is or, more accurately was, most likely to be found among large employers with established internal labour markets. Administrative trainees or cadets in the public service or the public sector utilities are good examples.

The Commonwealth Government outlaid \$275.2 million in 1992-93 on measures to assist the acquisition of vocational skills through entry-level training "to meet the needs of industry and improve access to training for particularly disadvantaged groups". These measures included "subsidies to employers to meet part of the cost of employing apprentices, including those employed by Group Training Companies..., the Australian Traineeship System..., Special Trade Training to provide assistance unemployed apprentices and trainees..., and AVC and Career Start Traineeships (Commonwealth of Australia 1993: 3.189-90). Based on approximately 130,000 apprentices and 16,700 trainees, the average subsidy in 1992-93 was \$1,876 per apprentice or trainee.

### **The Australian Vocational Certificate Training System**

In March 1992, a report prepared by the Employment and Skills Formation Council of the National Board of Employment, Education and Training on the Australian Vocational Certificate Training System (the Carmichael Report) was released and its recommendations for reforming vocational education and training have been endorsed by the Commonwealth and State Government Ministers. The Australian Vocational Certificate (AVC) training system seeks to provide new ways of combining work and training. The new system aims to extend training to those young people who do not at present participate in structured entry-level training.

The AVC training system is one element of a number of reforms introduced since 1990. These include the :

establishment of a National Training Board

agreement on a National Framework for the Recognition of Training (NFROT)

a number of reports on issues related to the training implications of industrial relations changes, young peoples' participation in post compulsory education and training and general or core competencies

development of an Australian Standards Framework for vocational education and training credentials

Central to the proposed AVCTS is the decision in 1990 by all governments to establish a national system of competency-based training and assessment by 1993. Such a system necessarily requires work experience in some measure. The main objective of the AVC Training System (AVCTS) is to provide a number of pathways in the transition from school to work. The emphasis of the AVCTS is to link closely vocational education and training arrangements into the workplace. The AVCTS seeks to meet the needs of the trainee and industry for high quality training, provide access to disadvantaged groups and be attractive to individual employers as providers of employment or training places.

Four principal pathways have been identified:

work based training with, on average, about one day per week of off-the-job training for year 12 leavers;

a combination of about half-time work and half study, including continuing education in key competencies for year 10 and year 11 leavers;

the inclusion of vocational training and vocational placement in upper secondary schooling; and

a vocational year consisting of institutional vocational training and vocational placement

The AVCTS is to be introduced from the beginning of 1995 by building on existing institutional, apprenticeship and ATS arrangements and through the development of new arrangements. Extensive pilot testing of new arrangements is being carried out during 1993 and 1994 to facilitate the transition to the new system. As at 30 June 1993, 105 pilot projects have received approval in principle. Some 37 of the pilot projects are work based but closer scrutiny shows that only seven projects have been proposed by a private sector employer with a further six proposed by an employer body. As many as seventeen work based pilot projects have been proposed by Industry Training Advisory Bodies.

The flexibility of proposed AVCTS and AVC piloting process aims to address many of the rigidities and inadequacies of the existing regulated training arrangements. These pilots are to be the subject of an extensive evaluation by the Department of Employment, Education and Training,

with an interim report due in April 1994 and a final report by September 1994.

In broad terms, the four principal pathways will follow two basic approaches. The first set of transition arrangements involve building on and extending the existing employment-based arrangements of apprenticeships and traineeships. The alternative approach is institution-based training supplemented by complementary vocational work placement for at least three months. The Carmichael Report makes it clear that an AVCTS certificate cannot be gained through institution-based learning alone.

The success of the AVCTS work based pathways will depend on the availability of employment opportunities and an expansion on present apprenticeship and traineeship commencements. A failure to achieve such an expansion may place a heavy burden on the institution based pathways with significant implications for public expenditure.

### **The Employment and Training Contracts: which comes first ?**

It is important to clarify from the outset the nature of the regulation of the apprentice and traineeships. There are two types of regulation that apply to most apprenticeships. There is legislation in each state and territory which covers the regulation of industrial and commercial vocational entry-level training.<sup>1</sup>

It is clear, however, that this legislation is subordinate to other legislation or awards governing employment arrangements. The subservience of legislation regulating entry-level training is clear from several sources. The training legislation itself defers to legislation regulating employment more generally. This subservience is further emphasised by the fact that more recent legislation changing fundamentally how employee relations are structured such as with Victoria's Employee Relations Act 1992 which takes precedence over other relevant legislation.

There is also established precedent where federal awards and state industrial relations legislation and awards are said to 'prevail' over state training legislation and the regulations of appointed bodies under that legislation such as apprentice or industrial training commissions. The pre-eminence of the employment contract over the training contract was reaffirmed recently by a decision of the full bench of the Australian

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<sup>1</sup> \* ACT Vocational Training Act 1989  
\* NSW Industrial and Commercial Training Act 1989  
\* NT Employment and Training Authority Act 1991  
\* QLD Vocational Education, Training & Employment Act 1991  
\* SA Industrial and Commercial Training Act 1985  
\* TAS Industrial and Commercial Training Act 1985  
\* Vic Vocational Education and Training Act 1990  
\* WA Industrial Training Act 1975  
The legislation in SA, Tasmania and Western Australia is currently under review (Picard and Shaw 1993)

Industrial Relations Commission (AIRC 1993:p 13 Print No.K6594: Apprentices: Public Transport Industry, 16 February 1993):

Australia is now unique in having an employee-based training system regulated by the state. Apprenticeship systems, which accord the full status of an employee to the apprentice exist only in the UK, US and New Zealand on the basis of agreement between individual unions and enterprises or groups of enterprises in a particular region. The numbers of apprentices in the UK and New Zealand have declined markedly since the early 1980s and the number of apprentices in the US has always been low.

In contrast, apprentices in Germany are not employees first and trainees second. The German apprenticeship system is based on a training agreement which contains details of not only the training to be provided but also the terms and conditions under which the trainee is to work in the workplace. Training contracts governing apprenticeships are sharply distinguished in both legal and industrial practice from employment contracts (Marsden and Ryan 1991:258).

**The emphasis is on the participant's status as a trainee with major attention paid to the quality of training imparted through on-the-job training.**

An important element in the maintenance of this emphasis on the quality of training is the role and responsibilities of the on-the-job instructor of apprentices. According to a German Government description of 'Vocational Training in the Dual System':

The success or failure of company training <for apprentices> lies in the technical skills and teaching qualities of the instructors (Federal Republic of Germany 1992:23).

It is this emphasis on the quality of OJT that distinguishes an apprenticeship based on a training agreement.

This is in contrast to the situation in Australia where the employment contract comes first in law and practice with trainee status a secondary consideration. One important indication of the primacy of the employment relationship in Australia for apprentices is the fact that there is, in aggregate, little difference in their wage rates during their period of apprenticeship compared with the junior rates for young workers receiving no training.

### **Entry-level training and labour market structures**

Structured entry-level training cannot be understood without reference to the labour market structures within which it operates. The subject of this report is not entry to employment in an open, competitive labour market but rather the conditions under which a job-seeker gains access to a "good job", defined as offering continuing employment and some prospect for advancement at least beyond entry-level status. This involves gaining access to an entry point into an employment system of some sort. Structured training arrangements have been a common means of gaining entry.

Three types of employment systems or structured labour markets have

been identified and widely accepted as reasonable models of how employment arrangements are organised. Those are:

- \* **occupational labour markets** (OLM) based on transferable skills which are certified making possible widespread mobility of labour between employers. Craft and professional skills require a degree of standardisation of skills so that they are applicable in a broad range of work settings (Marsden 1986). One legacy of this standardisation in both craft and professional skills is an emphasis on rigid demarcations between different skills and between the "skilled" and "semi skilled"(Lam and Marsden 1992:57).
- \* **internal labour markets** (ILM) within an enterprise or workplace based on non-transferable skills and limited labour mobility.
- \* **secondary or casual labour markets** where skill is poorly defined or unrecognised and labour is highly mobile.

A fourth labour market structure based on "semi-skilled" labour can be identified as an intermediate case displaying both inter-firm mobility with weak institutional regulation and pressures toward internalisation (Marsden 1986:233). Based on certified on-the-job training and vocational qualifications, this type of labour market structure can be termed a **qualifications-based labour market** (Lam and Marsden 1992:59).

Each type of labour market structure has its own training system to reproduce the type of skills required. Occupational labour markets for skilled manual workers in industry and construction typically rely heavily on the apprenticeship system (or equivalent). For white collar professionals, a common pattern for entry-level training is a mixture of state provided higher education and professional examinations. Internal labour markets, on the other hand, rely on a combination of general education and informal on-the-job training (Lam and Marsden 1992:58). Traditionally in Australia, non systemic, informal on-the-job training has been the common means of vocational training for other blue and white collar workers, although there are now reforms in place which are changing this situation in a number of industries.

Occupational labour markets, it is has been argued, are far from being an example of a competitive labour markets operating on the market principle of supply and demand (Marsden 1986). They are unstable and need to be buttressed by substantial external institutional support in the form of regulations and monitoring mechanisms to survive . This instability stems from the strong tendency of employers when faced with perennial skill shortages to "free ride" on the training efforts of other employers by poaching skills in demand and to use various strategies to bind skilled workers to their firm (Marsden and Ryan 1990:352).

The apprenticeship is the means by which entry to a trade-based OLM has been regulated in Australia, initially through collective bargaining which was codified in awards, followed by legislation and supporting institutions. Traineeships have some of the characteristics of apprenticeships but in most instances have not been closely associated with occupational labour markets. Their function has been to provide an entry point to internal or secondary labour market jobs, especially with small employers.

Internal labour markets also have structured entry-level training but it is mostly less formal and shorter than an apprenticeship. Internal labour markets are usually difficult for young people to enter. This is because of the highly selective nature of the recruitment procedures used with employers preferring to employ adults with the required qualifications and relevant work experience for entry positions. This has been the practice in the Australian Public Service for at least the last decade.

The low level of training required for most jobs in secondary labour markets does not create the same difficulties associated with scarce skills resulting from longer periods of training. Secondary labour markets do not have the same need for the collective provision of skills to overcome the inadequate means of reproducing more highly valued skills when focused on the efforts of individual employers (Marsden and Ryan 1990:354).

Qualifications-based labour markets represent a mix of options for employers and employees in a particular industry. One option is for employees who previously had no recognised skills to use the industry recognised qualifications to enhance their mobility between employers. Another option is for employers to use industry-wide and enterprise specific training standards to cultivate an internal career path within a loose internal labour market structure to maximise the input of the workforce at the level of the production operative.

This report will use the above theoretical framework to provide a better understanding of the impact of recent labour market reform on entry-level training.

### **Outline of the Report**

The following chapter analyses the results of the survey of mainly industry training advisory boards with some responses from employer associations and unions. The focus is on the impact of award restructuring on entry-level training arrangements.

Chapter Three examines the impact of enterprise bargaining on entry-level training arrangements, both in its regulated and non-regulated but structured forms.

Chapter Four provides a labour market analysis of entry-level training arrangements and future employment trends.

Chapter Five assesses the impact of enterprise bargaining on occupational labour markets.

Chapter Six discusses the need to see skill formation as a collective good together with the implications for the AVCTS if either a work-based or institution-based approach is preferred by employers.

Chapter Seven concludes with a discussion of the policy options for the maintenance of a regulated entry-level training system



## CHAPTER TWO      **SURVEY OF INDUSTRIAL RELATIONS CHANGES AND ENTRY-LEVEL TRAINING**

Information on the impact of award restructuring, enterprise bargaining and other issues related to the national training reform agenda on entry-level training was gathered through the questionnaire despatched to employer associations, unions and industry training advisory bodies (ITABs). Some 220 questionnaires were despatched and 74 replies were received, a response rate of 34 per cent. This response is better than first appears because national ITABs were asked to coordinate the responses of state ITABs and ask them to respond only where there were significant state awards in their industry. Interviews were also conducted with a number of employer associations and unions and in a number of cases were seen as taking the place of a reply to the questionnaire.

Notwithstanding the above qualifications, the response rate was somewhat disappointing. Although all industries covered by ITABs are represented, only about half of national ITABs in particular responded to the invitation to have an input into the review. This may reflected a lack of knowledge by some ITABs of industrial relations issues in their industry and/or a belief that it was not appropriate for them to comment on industrial relations matters. Eleven employer associations and six unions responded. The industries and occupations that are represented in the survey results are:

Building and Construction, Metals, Electrical, Printing, Vehicle Retail Services and Repair, Food Processing, Rural, Hairdressing, Tourism, Textiles, Clothing and Footwear, Furnishing, Transport, Timber, Plastics and Rubber, Retail, Local Government, Administrative and Clerical and Arts and Entertainment

The major industries employing apprentices and trainees are represented. Approximately two million workers are estimated to be covered by the awards on which information was supplied.

### **The results**

Of the awards covered in the questionnaire replies, 55 per cent had provisions for apprentices and 61 per cent provided for trainees. Just over a third of awards (36 per cent) had provision for "declared trades, callings or occupations". This refers to a legal requirement under state vocational training legislation not to employ a person under age 21 unless he or she is in regulated or supervised training arrangements such as apprenticeship or traineeships. The reverse of this stipulation is the lack of provision in many awards (29 per cent) for junior employees.

Over two-thirds of the awards described at both the federal and state levels had undergone restructuring since 1988. Several other awards were in the process of being restructured or, as in the case of the National Building & Construction Industry Award, substantial work had been done on a new classification structure but the wage relativities have been rejected by the Australian Industrial Relations Commission. A number of state awards, however, in industries with apprenticeship provisions do not appear to have been restructured. Examples are awards covering printing in Queensland and Victoria, the furnishing trades in NSW. It is clear that in many awards whether restructured or not, there is a continuation of traditional entry-level training

arrangements in the form of apprenticeships.

There have been since 1988 changes to awards involving entry-level training arrangements in some 44 per cent of cases, mostly covering the insert of provisions for trainees either under the Australian Traineeship System or more recently as Career Start Traineeships. Reference was made in the replies to other innovative entry-level training arrangements. These new training arrangements were mostly part of a new classification structure for the industry involving the attainment of recognised qualifications. They included the:

- \* Engineering Production Certificate
- \* Vehicle Industry Certificate
- \* National Certificate of Food Processing
- \* TCF Machinists (developed but no implemented)
- \* Certificate of Cement Manufacturing
- \* Fit and Finish apprenticeship (Construction, Victoria)
- \* National certification in Tourism and Hospitality

Several new streams as part of the ATS were also referred to in furnishing,\* road transport, \*forests, \*rubber and cable making. As well as a new pre vocational year of institution-based training, a new Career Start Traineeship has been set up for the retail industry in NSW which is to be the entry qualification for that industry. Career Start Traineeships, according to the survey responses, are being established in office skills, and local government (municipal maintenance).

These new entry-level training arrangements are usually part of a new job structure based on industry-wide competency standards, backed by training modules and a workplace assessment system. The orientation of most of the new training is towards existing employees rather than for new entrants. A more accurate description would therefore be base level or sub-trade training for production operatives or front-line service workers.

The above list of new entry-level certificates shows the emergence of a qualifications-based labour market (QLM). A QLM refers to the use of educational and vocational qualifications to certify the attainment of certain pay levels in an industry-based classification structure (Lam and Marsden 1992:62). The industry framework is also often complemented by enterprise focus for at least some of the training. The QLM is emerging alongside the more traditional occupational or professional labour markets (OLM) and internal labour markets (ILM). OLM tend to operate across a number of industry sectors while ILMs operate within an enterprise or workplace.

### **Emergence of new entry-level qualifications**

If industry-wide training arrangements, including entry-level training, continue to be important in the future, the form that they are likely to take is suggested by the results presented at the beginning of the chapter. The shift to a skills-based classification structure in a number of industries backed by qualification linked to competency-based training (Metals, TCF, Vehicle Manufacturing, Tourism & Hospitality, Food Processing & Plastics (to name the industries that identify themselves in the survey as pursuing this direction) is opening up a qualifications-based labour market with entry-level training based on the needs of a particular industry.

Thus an industry-specific QLM is emerging based on new integrated job classification structures in restructured awards with new training arrangements for workers below the trades level. Associated with these new entry-level training arrangements is usually a more general initiative to develop training for skills profile that more closely reflects the needs of the industry, however defined. QLMs operate within an industry framework with an enterprise focus. On-the-job training is often more systematic and structured with competency outcomes specified. This is in contrast to the occupational labour market entry-level training arrangements where systemic training was paid to on-the-job training.

In contrast, the traditional OLM based on the "declared trade or vocation" is based on a high degree of standardisation in terms of training content and inflexible demarcation in how workers with such skills are deployed within the workplace. An important feature of the apprenticeship system has been the youth entry requirement. One consequence of this is the ability of the older workers supervising the young workers under their supervision to instil a high degree of occupation consciousness and sense of job ownership or job control, resulting in demarcation (Curtain 1986).

### **New Standards and Supporting Training: progress to date**

Nevertheless, these new classification structures are as yet not well established. The following Table 2.1 reports the assessments of survey respondents about the state of play in their industry. The table shows that considerable progress has been made in setting competency standards in a number of key industries. The National Training Board claim that over two million workers are covered by these standards. What the table shows also that the development of training modules to back up these standards are still lagging behind. A major reason, therefore, in the delay in getting new entry-level training arrangements in place must, therefore, be the absence of suitable curriculum. These results on what has been achieved to date are, no doubt, one of the reasons the respondents claimed overwhelmingly in reply to a question reported below that much more needs to be done.

Table 2.1: Proportion of competency standards and training modules completed for particular industries (per cent)

<u>modules</u>	<u>Standards</u>	<u>Training</u>
Metals	80-100	100
Textiles	20-40	40-60
Clothing	80	40-80
Footwear	0-20	0-40
Vehicle manuf	40	10
Vehicle retail	20	10
Building and Con	60-80	20-80
Tourism		
- hospitality	100	100
- travel	100	--
General food products	80	40
Office skills	100	60
Plastics	100	100
Maritime	60	60
Local Government	20	20
Fire services	60	20

### **Time served or skills-based payment ?**

In most cases, access by adults to apprenticeship provisions are now a feature of restructured awards but in practice little has changed. When asked about whether access for adults was possible in practice as well as in theory, most replies (68 per cent of where adult apprentice provisions existed) said that access was restricted. The common responses were: "very few and restricted to (those) already working in the industry", "very few, limited but changing", three said limited or very limited, "virtually nil", wages (paid to adult apprentices) a problem", "very little impact", "nil", and "few places". The one notable exception to this picture of little change in practice in the acceptance of adults as apprentices is the printing industry. Provision for adult apprenticeships have existed since 1977 under the Graphic Arts Award and have become well established in practice.

### **Time served or competency-based ?**

The basis for payment for apprentices was still time-served, either as "age related", "extent of work experience", "years of experience", or "extent of time spent in structured training". Only six replies mentioned skills/competency or value of skills to employer as the basis of payment, often in conjunction with years of experience or other time-served criteria.

The basis of payment for ATS trainees was similar as either age-related, or in combination with extent of time spent on the job in structured training. Slightly more replies (7) mentioned skills/competency or value

of skills to employer as the basis for payment often in conjunction with time-served criteria. The new Career Start Traineeships were more likely to be seen as having payment based on skills/competency together with extent of time spent in on-the-job structured training.

In summary, according to the survey results, a mixture of time-served and skills-based criteria are used for determining payment for existing entry-level training arrangements. Age-related or years of experience criteria are still important for a number of apprenticeship and ATS traineeships but there appears to be a clear perception of a shift to skills-based criteria under the new Career Start Traineeships.

### **Other Youth employment arrangements**

No respondent to the survey mentioned changes to awards in how youth wages in non-regulated occupations are determined. The replies also revealed that there was virtually no provision in any award for regulated training for young part-time workers. The one exception was an agreement concerning group training schemes under the Transport Workers Award of 1983.

### **Impact of enterprise bargaining on entry-level training**

In response to the question "do you know any enterprise agreements that include provision for entry-level training", 61 per cent of respondents answered simply "no". Other replies mentioned that enterprise agreements were mostly "add-ons" to existing awards. Specific details of enterprise agreements and entry-level training were:

- \* an agreement in the Tourism industry in the Northern Territory that included reference to traineeships
- \* an agreement to institute an AVC pilot
- \* a requirement on the employer to take on 15 career start trainees when the course work is ready
- \* cadetship provisions in an enterprise agreement in the chemical industry
- \* In Victoria, in the absence of awards, the industrial parties in one industry and agreed on the wording in relation to traineeships to be inserted in enterprise agreements.

### **The enterprise or industry training agreements ?**

Respondents were asked "over the next five years, how important do you think enterprise-based compared with industry-wide entry-level training arrangements will be ?" There was wide variation in the replies. The Employer Association respondents were likely to say that both enterprise and industry arrangements will be important, with a slightly stronger weighting for industry level arrangements with a 4.2 rating in favour of the enterprise and a 5.0 rating in favour of industry-wide entry-level training arrangements on a scale of 1= not important to 7= very important. The union responses were much more polarised with a 2.3 rating for enterprise arrangements and a rating of 6.8 out of 7 for the importance of industry-wide entry-level training arrangements. Among ITABs the overall rating was 4.6 for the importance of enterprise

arrangements and a rating of 5.0 for industry-wide arrangements.

It is important to note that each of these agencies operate at an industry rather than at the single enterprise level. These organisations have both a vested interest in maintaining and extending industry-wide arrangements, as well as the opportunity to see the benefits to individual employers that can come from collective, coordinated arrangements. The wide variation in responses suggests that there is little that can be read into the aggregate data other than a general endorsement of industry level efforts. Conditions are likely to vary considerably from industry to industry in terms of the balance between enterprise and industry approaches. Building and Construction, Tourism and Hairdressing, for example, strongly favoured both an enterprise and an industry focus, while for agriculture, an enterprise focus was rated low and industry-wide arrangements rated high in importance.

Nevertheless, despite the wide variation in responses, some 37 per cent of respondents believed that enterprise-based entry-level training would be important or very important (rating 6 or 7) in the future while 39 per cent believed that industry-wide arrangements would be important or very important. The overall average ratings of 4.6 and 5.0 and the high proportion of replies at the same end of the rating scale for both types of arrangements strongly suggest that most of the people working in a training advisory role believe that neither extreme is likely. Entry-level training arrangements with both enterprise focus within an industry framework are likely in the next five years, with considerable variation likely from industry to industry as they develop a balance appropriate to their requirements.

In response to the question: "Is training solely developed and delivered by the enterprise the most effective way of providing training?" Just short of the majority (49 per cent) of respondents gave a negative answer while nearly quarter (26 per cent) said yes and quarter said "it depends". Industry-wide training arrangements will clearly be important in the future to supplement and complement enterprise training.

Another question asked: "what implications in relation to training will these future developments have for resource sharing and coordination between enterprises?" Four fixed response options were given as well an "other" option. The overwhelming response was "more needs to be done". Three quarters (76 per cent) of all respondents indicated that much more needed to be done in the future to improve resource sharing and coordination arrangements between enterprises in relation to training. This indicates that for there to be a balance between enterprise and industry arrangements on entry-level training, considerable effort will be required in the medium-term future.

### **Shift in the focus of training**

Nearly half (48 per cent) of the survey respondents said entry-level training was becoming more work-based. Some 15 per cent said it was becoming TAFE-based and 10 per cent said it was becoming more focused on schools. Six per cent mentioned private providers. A large proportion (40 per cent) replied that there was a more or less equal combination of a focus on TAFE, schools and the workplace. These responses suggest a departure from past practice where TAFE was the prime focus of off-the-job training and there was little systematic attention given to on-the-job training.

## **How to encourage more work-based training**

Another question asked what needs to be done to encourage employers to provide more places for formal, work-based entry-level training arrangements? Six options were offered: higher subsidies, lower wage costs, development of a training culture, appeal to civic pride, legislate to require training for entrants and other (please specify). The overwhelming response (77 per cent) emphasised the need to develop a training culture. The use of higher financial incentives was believed to be important by 35 per cent of respondents. Lower wage costs were suggested by 29 per cent.

A quarter of respondents suggested that there was a need for legislation to require the provision of more work-based training. All of the union officials who responded to the survey believed legislation was required. The legislative option suggests a 'top down' directive approach and is only favoured by a minority and, typically, by union officials who have traditionally relied on broad industry awards in place of collective bargaining closer to the workplace to protect and advance the interests of their members.

## **Concern about the costs of training**

The two suggestions related to training costs together attracted nearly two-third of respondents. This is all the more surprising given that few employers are represented in the sample. The executive officers of Industry Training Advisory Bodies are less likely to reflect their own situation, as an employer respondent might, and be better able to comment on a wide spectrum of attitude among the employers amongst whom they are working. The issue of training costs and how to develop a training culture are discussed in detail in chapter six. The focus in that discussion is on developing solutions and implementation strategies that are close to the enterprise and better reflects the costs and benefits of providing work-based entry-level training to employers and the recipients of the training.

"Other (please specify)" responses included the comments that the best way to encourage employers to provide more places was to 'improve the economy'. An employer association respondent said there was a need to 'change union attitudes towards training and competency'. A union official, referring to the retail industry, offered a countervailing response: "employers are happy with the low wage, low skill, age-based system".

Respondents were also asked in an open-ended question about what can be done to maintain the numbers in work-based training during a recession. The most common response was to suggest subsidies or other financial incentives such as a tax concession, often in conjunction with another proposal. Making better use of Group Training Schemes was also suggested. Allied to this was the need for networking among industry based groups. Several TCF respondents mentioned the Government's program of assistance to employers who were at risk of retrenchment during an economic downturn (TASK). More flexibility to enable training costs to be offset was mentioned by several respondents.

On the same theme, a question was asked about what factors were believed to discourage employers from providing workplace-based training arrangements. Most respondents gave more than one answer. The

most important reasons were costs of training wages and return on investment. These three issues attracted responses of 42, 35 and 38 per cent respectively. The other important issue said to discourage the provision of work-based training was the need for more flexible training arrangements and a more relevant TAFE curriculum for off-the-job training (31 and 27 per cent respectively). The latter two issues are being addressed through AVC pilots but other replies, referred to below, indicate that the costs of training are not being satisfactorily addressed in the industrial agreements for the AVC pilots. Public subsidies were thought to be sufficient to encourage employers to provide places by only a third of respondents. Over a majority (58 per cent) believed they were not. Nevertheless, over two-thirds (69 per cent) believed they should continue.

### **Industrial Relations problems with AVC pilots**

Respondents were asked whether their industry had established or planned to establish an AVC pilot and whether there had been any industrial relations difficulties encountered in proposing or implementing a pilot. Eighteen pilots had been established and a number were planning to do so. A large number (18) of those who had established a pilot or planned to had experienced industrial relations difficulties. Their key issues were:

- . wage levels
- . treatment of attendance time
- . trainee jobs required to be additional to existing jobs
- . the amount of training and the need for flexibility

A delay in negotiations or slow response from the unions was mentioned by two respondents. Employer reluctance was also mentioned.

### **What form of work-based training in the future ?**

A question was asked about whether the concept of apprenticeship has a continuing role in the future. Over a majority (54 per cent) believed it did, with nearly a quarter (23 per cent) explicitly saying no, it did not. Respondents in favour were asked to define what they meant by the concept. Several replies are worth quoting in full. A union official saw the concept as having four elements:

- . employment-based
- . identifiable outcomes
- . contract of training
- . good mix of theoretical and practical

Another reply about the concept of apprenticeship worth quoting is: "contractually enforced commitment to teach and to learn". Other replies simply emphasised its employment base, and applicability to industry requirements, integration of on and off-the-training. One reply saw the concept of the apprenticeship residing in its traditional standing as an accepted form of training and simply stated: "worked well, why change".

What role, if any, should employer associations, unions and government policy play in enterprise training arrangements was asked as an open-ended question. Several suggested roles for employer associations in terms of: "advise, assess, deliver and administer". The European (French



and German) model of an employer association's close involvement in training was suggested by one large state-based employer association. Another respondent claimed that "employers trust their association more than unions and government". Other replies encompassed all three agencies and emphasised a role which was "facilitative, participative, provide technical resources and quality control" or, in similar fashion, as "coordinator and facilitator".

### **The Australian Standards Framework**

In response to an open ended question about the limitations to the Australian Standards Framework from either a vocational education or employer's perspective, a quarter of respondents indicated that there were limitations. Half of these replies related to industrial relations concerns: "remains to be seen whether industry or education driven", "limitations due to industrial issues", "not driven by industry", or relationship to wage levels. The vocational education issues were related to being too costly to administer, too rigid because it does not fit industry requirements, "not enough levels", "difficult to follow, subject to many different interpretations" and "descriptions are imprecise" or "too broad".

### **Quality Assurance and Assessment**

The survey population of employer associations, unions and industry training advisory bodies (ITABs) were asked about the mechanisms proposed in their industry for ensuring the quality of training outcomes in relation to entry-level training. Most replies indicated that proposals were still being developed or simply said the ITAB will oversee. There was little detail on specific mechanisms proposed or in place. The most detailed were those for Tourism & Hospitality. These include:

- . recognition and monitoring of training programs by the Australian Hospitality review Panel
- . requirements for trainers and supervisors to be competent in both industry and training (including assessment skills)
- . availability of resources and networking opportunities

Respondents were asked about the specific assessment procedures that have been put in place. Consistent with the answers given to the above question, there were few instances where specific procedures were in place. The industries where they did appear to be actually in operation were: vehicle, timber, tourism and hospitality. Most replied "nil" or said that they were to be developed. In the metal & engineering industry, discussions were said to be occurring between the parties but no specific proposals have yet been tabled.

When asked about what procedures were being proposed the following response were given:

- . certified assessors using ITC (Industry Training Committee) approved curriculum
- . workplace assessment with central registration based on a central data bank
- . workplace and registered assessors

skills assessment through workplace assessors for non-accredited training with joint training provider/workplace assessment for structured training arrangements

Some respondents looked to TAFE courses to provide the assessment.

There were no consistent pattern in the replies to the question about who is or will be the responsible body for assessment. Nearly half (46 per cent) identified the ITAB, 31 per cent nominated industry while less than a quarter mentioned TAFE or the enterprise. It was common for several agencies to be identified. These results suggest that there is no common understanding of the framework for the assessment process.

### **Will AVC targets be met**

The Employment and Skill Formation Council (ESFC) Report The Australian Vocational Certificate Training System (the Carmichael Report), released in March 1992, recommended that competency based training replace time-based systems in vocational certificate training in all industry sectors and almost all enterprises by 1995. A target of 90 per cent of school leavers to reach, at least, ASF level 2 by the year 2001 was also set (ESFC 1992:142-144). It is worthwhile asking 15 months after those targets were set what the chances are of being the results expected.

Only 13 per cent of the respondents believed that the 1995 target of an entry-level competency-based training system was achieved. If this is widened to an 80 to 100 per cent success rate, only slightly more than a quarter (28 per cent) thought this was achievable. A quarter of respondents suggest a 60 per cent chance of success and a quarter said the change was 40 per cent or less.

### **Perceived difficulties in implementing the Training Reform Agenda**

On the 2001 targets, respondents were asked about what, in their view, needs to happen to achieve this goal. This issue was often considered in conjunction with the final question which asked for comments on 'any other issues related to issues covered in this questionnaire, in particular, what difficulties, industrial relations or other, do you see in implementing the national training reform agenda.' A number of comments were recorded in response to the above invitation. Six responses related to the problems of implementation and the plethora of programs and agencies in this area. 'There are so many different schemes and bodies organising them that no one knows what is happening or what is planned'.

On the AVC, one respondent thought the real work will be in implementation and will require people to work with companies. Another thought there was a need to promote the training reform agenda with industry to build up support. This theme was repeated seven times. More resources needed and a debate about how to achieve this was another comment. "We need models which clearly demonstrate advantages to industry", "Industry parties have to become committed and remain committed to the outcome", "The major obstacle to development and implementation is the apathy of most employers to the need for a national system and the belief that their enterprise knows best".

Three replies mentioned the volatile industrial relations climate and four made mention of the need to reduce training costs. These two

themes are best summed up in a comment from one union official :

The age-related wage will be the biggest industrial relations challenge but, if handled in an incremental way, will probably be accommodated through the introduction of a training wage system

The overall sense of the replies can best be summarised in the overwhelming response (77 per cent) of "much more needs to be done" given to the question noted above on the questions of the need for further action.

### **Key issues emerging from the survey**

The key issues to emerge from the questionnaire are the following:

the slow progress to date in reforming regulated entry-level training arrangements despite the efforts made to restructure awards over the past five years

adult apprenticeships, while now possible in theory in most restructured awards, still were not common in practice.

the existing trades qualified workforce because of their strong occupational consciousness, appear to be still reluctant to depart from past custom and practice. The delay in getting the new training system in place may only have encouraged many workers to not desert the "tried and true" in favour of the untested with uncertain outcomes, especially in the context of a strong move by employers to enterprise bargaining.

emerging alongside the traditional entry-level arrangements based on occupationally-based awards, is new qualifications-based entry-level training. This new form is more focused on specific industry requirements and involves more systematic training on-the-job. For many participants in this training, it is a means of ensuring more secure employment through enhanced functional flexibility.

there is no clear consensus about the desirability among key people involved in training from employer associations, unions and industry training advisory bodies of either an entirely enterprise or industry focused training strategy. A balance of enterprise and industry arrangements seems to be the preferred approach to entry-level training.

there was strong support for efforts to build a strong training culture within industry. The top down, bureaucratically driven process of implementing new training arrangements starting with the ATS Traineeships in 1986 is seriously called into question by these results. Better support arrangements for the participation of small business in particular is needed.

training providers were also earmarked for attention as needing greater flexibility and innovation

the issue of training costs and return on investment was raised a number of times in both the fixed and open-ended responses. The issue was broader than simply wages. Training costs referred more generally to the difficulties associated with converting to a

competency-based system. The challenge, in the words of the executive director of the national ITAB of a major industry is the 'development of high quality/low cost training options for enterprises'.

To achieve lower training costs, it will be necessary for government and unions to explore ways to offset the high costs of the new competency-based system to employers by, for example, providing more institution-based pre-vocational training and ways of removing workplace training participants from the same cost imposts of the established workforce. Part of this separate treatment of trainees should also involve the introduction of a training wage. These issues are discussed in greater detail in chapter six.

## CHAPTER THREE **IMPACT OF ENTERPRISE BARGAINING ON ENTRY-LEVEL TRAINING**

### **What is enterprise bargaining ?**

The impact of enterprise bargaining on entry-level training needs to be seen against the background of a continuum different types of bargaining units. These can vary from the highly generalised multi employer, occupational or cross industry bargaining that are common in a Australia at a national or regional level to individual employment agreements or informal verbal employment contracts. Individual employment contracts exist in common law as contracts of service and apply where other legislated provisions or awards of industrial tribunals do not prevail. Individual employment contracts have been more recently recognised in legislation in Victoria in the absence of awards as coming under the jurisdiction of the new Victorian Employee Relations Commission. Table 3.1 presents this continuum of bargaining units from the highly aggregated to the highly disaggregated. It is clear from this continuum that enterprise bargaining in the Australian context has several variants.

**TABLE 3.1 CONTINUUM OF TYPES OF BARGAINING UNITS**

<ul style="list-style-type: none"><li>• Multi employer with occupational or broad industry coverage</li><li>• Multi employer with specific industry sector cover</li><li>• Two tiered bargaining with multi employer</li><li>• Industry specific umbrella agreement supplemented by a workplace or company level agreement</li><li>• Company-wide bargaining</li><li>• Grouped workplace within a company</li><li>• Workplace-specific bargaining</li><li>• Individual employment contracts</li><li>• Verbal, informal individual agreement</li></ul>
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Enterprise bargaining can refer not only to a separately located or otherwise set apart workplace as a specific bargaining unit, it may also refer to company-wide bargaining covering several workplaces. Enterprise agreements which encompass a whole company may devolve to groups of workplaces within the company producing a similar range of products. Company level bargaining may devolve to a separate set of arrangements for individual workplaces.

Another variation, common in Australia, has been the practice of bargaining at both the occupational or broad industry level and the company or workplace level. This was carried out traditionally through the national wage case with its flow on effect on the broad based awards at federal and state levels and was then added to with over award bargaining on a company or over-award basis. The latter may or not have been subject to an agreement ratified by an industrial tribunal. More recently, in the Metal and Engineering industry, bargaining has taken place through an industry-specific level framework agreement supplemented by workplace or company level agreements, ratified by an industrial tribunal, to give detail to the basis for the wage increase.

Recent changes to legislation in NSW, Victoria, Tasmania, Western Australia and federally (discussed in more detail in Chapter Five) now present employers with a range of choices as to what level they may

prefer to bargaining at collectively and, in the case of the above mentioned states, with whom they bargain. Management in an individual workplace may decide to use different bargaining units for different sections of their workforce. It is possible for a manager to bargain collectively with unions representing the workforce or with a consultative committee elected by the workforce, as provided for in the NSW legislation or a bargaining agent of their choice as in Victoria. A manager may also decide to enter into individual agreements with employees, either as adjunct to an award or separate stand alone agreements if not covered by an award. In the case of Victoria, up to 300,000 workers are no longer covered by awards and individual employment contracts are now formally recognised through the Employee Relations Act.

It is important to note that only some elements of the above continuum of bargaining options are identified through the published enterprise agreements. A recent survey (December 1992) conducted by AGB McNair and commissioned as part of a workplace Bargaining Research Project by the Department of Industrial Relations shows the range of workplace bargaining options available. A representative survey of 700 workplaces employing 20 or more people found that 47 per cent of workplaces were covered by some form of agreement but only 11 per cent were covered by an agreement that was ratified by an industrial tribunal. Overall, 35 per cent of employees in workplaces with 20 or more employees were covered by a workplace negotiated agreement. Employee coverage for the different types of agreement were: 14 per cent were covered by ratified awards, 14 per cent by written unratified agreements and seven per cent of employees were covered by verbal agreements (Short, Preston and Peetz 1993:4-9).

A survey of 6000 firms with 50 or less employees by the Department of Industrial Relations and the Australian Chamber of Commerce and Industry (response rate 18 per cent) in May 1992 showed that only 6 per cent of respondents had a certified or registered industrial agreement, half of which were limited to a specific enterprise (Isaac et al 1993:23). This is partly to do with the fact that unions under existing arrangements have to be parties to an agreement. Since the level of unionisation is low among smaller firms (there were no union members in 60 per cent of firms with 50 employees and less) (Isaac 1993:54), the number of enterprising agreements among small firms is understandably low.

The lower tendency to use enterprise bargaining agreements by small business is also the result of the acceptance of existing award arrangements. Nearly two-thirds (63 per cent) of small business respondents expressed satisfaction with their existing industry or common rule awards. The proportion was higher (68 per cent) for non-unionised firms than for unionised firms (55 per cent). Of those firms dissatisfied with their existing industry or common award arrangements, a fifth wanted to move to an industry award, a fifth wanted to have an enterprise award and two-fifths preferred individual contracts (Isaac et al 1993:45).

### **Ratified Agreements**

Over 1100 agreements have been registered with the Australian Industrial Relations Commission to July 1993 covering some 760,000 employees or 11.5 per cent of the workforce. A smaller number have been

entered into under the jurisdiction of the State Industrial Tribunals (about 200 in NSW, 50 in QLD, 19 in WA, and 14 agreements in Tasmania). Although information on Victorian employment agreements is required to be confidential, a recent report in *The Age* put the number of collective agreements at 131 with 185,141 individual employment contracts (*The Age* 21 September 1993 p5). The proportion of the workforce covered by enterprise agreements registered at the State level is not known but it is believed to be small. In NSW for example, the 200 enterprise agreements only cover 10,000 workers approximately. In Victoria, the 131 collective agreements are said to cover 15,000 employees (*The Age* 21 September 1993 p5).

The most pronounced feature of enterprise bargaining agreements to date is that most are "add-ons" to existing general, multi-employer awards. A survey of 900 of the largest firms (mostly in manufacturing, retailing, wholesaling, distribution and financial services) in Australia by Arthur Andersen and Holding Redlich in March 1993 (response rate 33 per cent) showed that 84 per cent of the enterprise bargaining agreements were additional to existing awards (Andersen/Holding Redlich 1993:4). Only 16 per cent of enterprise bargaining agreements replaced existing awards. Most new comprehensive agreements appear to be replacements for existing enterprise agreements (ACCI 1993:4).

This result is similar to the profile of federal agreements registered between January and June 1993 reported by ACCI (1993:5).

**TABLE 3.2: SCOPE OF AGREEMENTS JANUARY 1993 TO JUNE 1993**

<b>Scope of Agreement</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Comprehensive coverage	22	11.7
In conjunction with General Award	117	62.2
In conjunction with Enterprise Award	31	16.5
Unknown	18	9.6

Source: ACCI 1993:5

The Australian Chamber of Commerce and Industry, in its report on Federal Enterprise Agreements which were lodged in the January to June 1993, concludes that general awards continue to have an overwhelming influence on negotiations for enterprise agreements (ACCI 1993:4). Most agreements ratified to date are to be read in conjunction with, rather than in the place of, existing awards. This finding simply reflects the fact that most agreements (80 per cent) have been in manufacturing and many of these were negotiated within the framework of the Metal Industry Award. Some 14 per cent of agreements are in the services sector and 2 per cent are in mining (DIR 1993:6).

It also reflects the fact that the proportion of the workforce covered by stand alone, comprehensive enterprise awards has historically been low, at between 6 and 15 per cent of the workforce (Hilmer et al 1993:33). The move away from industry wide or multi employer agreements

to comprehensive enterprise agreements for most employers is not a step taken lightly. A number of preconditions often have to be met before an organisation will take on the resource-intensive and somewhat precarious task of constructing a set of employment arrangements that have been carefully tailored to its expressed needs (Curtain 1992).

### **A future move to stand alone enterprise agreements ?**

However, the high proportion of "add on" agreements may change in the future with 32 per cent of respondents in the Arthur Andersen/Holding Redlich survey indicating that they proposed to replace their existing award or awards with an enterprise bargaining agreement (Andersen/Holding Redlich 1993:4). A report "Workplace Bargaining: the First 1000 Agreements" prepared by the Commonwealth Department of Industrial Relations noted that the use of stand alone agreements has become more common since the introduction of new provisions for certified agreements (Division 3A) was inserted into the Industrial Relations Act and came into force on 23 July 1992. There have been approximately 60 ratified to July 1993 and 80 per cent of these have been agreements under the new provisions ((DIR 1993:6).

The analysis of NSW agreements compared with federal agreements, reported below, showed that the former were more than twice as likely to replace an existing award but the overall incidence of award replacement is low (24 per cent for NSW agreements compared to 11 per cent for the largest federal awards surveyed).

### **Training as a subject of collective bargaining**

Of the 103 federal agreements summarised by ACCI for the period April/June 1993, nearly a third (32 per cent) mentioned a training-related issue, usually related to the introduction of a skills-based classification structure. Most agreements, however, focused on efficiency issues such as the introduction of performance measures and new hours of work arrangements.

A survey of workplace bargaining by the federal Department of Industrial Relations of 700 workplaces found that 38 per cent of workplaces in the 12 months to the survey had introduced a major new training program. This proportion was 54 per cent for workplaces which had negotiated and ratified an enterprise agreement (Short, Preston and Peetz 1993:54). The Andersen/Holding Redlich survey also showed that "improved career path" was a major objective of about 60 per cent of the organisations surveyed either prior to or as a result of the Enterprise bargaining agreement (Andersen/Holding Redlich 1993:6). Clearly skill formation issues including entry-level training, broadly defined, continue to be an important subject of industrial agreements. What form these training arrangements take and their relationship to entry-level training can only be answered by a closer scrutiny of enterprise bargaining agreements themselves.

### **University of Sydney database on enterprise agreements**

An analysis of enterprise bargaining agreements was commissioned from the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) at Sydney University using their data base of 156 federally and 148 NSW registered agreements. Although this is a small sample of the 1,100 enterprise agreements now ratified by the Australian Industrial



Relations Commission, the federal agreements cover a workforce of some 500,000 or about 7.5 per cent the workforce while the NSW agreements only cover less than 10,000 employees. Cross tabulations were run on a variety of training related agreement provisions covered by the data base including the following:

- General training matters
- Career path/organisational restructuring
- Assessment and evaluation
- Training leave
- Trainees and apprenticeships

The ACIRRT Report is available from the Office of Training and Further Education. Focusing on the federal agreements because of the larger population they cover, the key points of their analysis are:

### **Provision For Training**

- 43 of the federal agreements in the sample contain a provision listing implementation of a training/education program as an objective of the agreement. Larger workplaces, especially those with more than 200 employees are more likely to provide for training.
- Only 6 percent of federal agreements make provision for paid training leave. Most agreements, therefore, may leave the issue silent because it is covered by existing award arrangements.
- There is a marked difference between the proportion of federal and NSW agreements listing training as a objective of the agreement (43 to 6 per cent respectively). The pattern is the same for each sector (manufacturing, service and other).

Similarly, federal agreements are more likely to refer to improved career paths and new job classification structures in the agreement objectives (36 compared to 14 per cent respectively).

Training issues are an important aspect of many collectively bargained agreements, particularly in larger workplaces (200 or more employees).

### **Incidence of Structured Entry-level Training**

- Only 9 per cent of federal agreements refer to trainees and only 5 per cent of these same agreements had a clause referring to apprentices. The proportions for the NSW agreements were similar (9 and 3 per cent respectively). Trainees are slightly more likely to be mentioned in agreements covering 20 to 200 employees (13 per cent).

Where agreements replace existing awards, they are more likely to refer to traineeships and apprenticeships (31 per cent compared to nine per cent). This tendency is more marked for federal agreements.

Provision for adult apprenticeships only appear in four federal agreements and one NSW agreement.

- . Only four federal agreements mention that a trainee is entitled to on and off-the-job training.
- . It is interesting to note that three NSW agreements mention the duration of a traineeship to be less than a year, three federal agreements specify a year and three specify more than a year.
- . The three agreements that specified a period for traineeships less than a year, one agreement was from a workplace for less than 20 employees, and two were from agreements for 20 to 200 employees. The three agreements replaced an existing award.
- . Slightly over 10 per cent of all agreements establish a specified probationary period for new employees. A high 17 per cent of NSW agreements specified a probationary period, most of which are either less than 31 days or 31 to 60 days.
- . 24 agreements or 9 per cent of all agreements in the sample specify junior/trainee rates.
- . Agreements covering small-sized workforces and those registered in NSW appear to offer junior rates at or below the average. The reverse was the case for the agreements covering larger workforces and those agreements which are federally registered.

These results suggest that most agreements either leave the issue of entry-level training silent because it is covered by existing award conditions which the agreement acknowledges in an omnibus way or omit reference deliberately. At a minimum, it indicates that employers and unions are not using the current enterprise bargaining provisions to introduce new entry-level training arrangements.

### **Examples of entry-level training in enterprise agreements**

The following examples of entry-level training arrangements are taken from the report "Workplace bargaining: the First 1000 Agreements" by the Commonwealth Department of Industrial Relations (DIR 1993). Entry-level training arrangements incorporate provisions relating to juniors, apprentices, trainees and new starters within an enterprise. Work on entry-level arrangements is under consideration in some industries, particularly in conjunction with the development of competency based frameworks.

The agreement at **Aerospace Technologies of Australia (ASTA)** included provision for adult apprenticeship and variation of apprenticeship provisions to reflect new trade courses and part-time employment. Provisions dealing with the Australian Traineeship Scheme and adult apprenticeships are now part of the new award (print K2042).

Future apprentices at **Amcast Foundry** will be indentured to become engineering trades-persons in one of the three engineering streams. An initial three month period of training/orientation will be undertaken before a final decision or indentures are signed. Any upgrades to trade level or changing over from one stream to another will only occur when it has been determined that a genuine need/vacancy exists (Print K3041).

The **BF Goodrich Chemical Altona Plant Maintenance** agreement contains 'Principles of Agreement for Adult Apprenticeships' which

stipulates that paid study leave and associated costs will be provided by the employer, unless a person fails to pass examinations or complete a course, in which case separate provisions apply. All training must be at the Trades Level as a minimum. All new apprentices indentured, with the exclusion of adult apprentices who will not be compelled to train, are to gain dual trade skills as instrument tradespersons and electrical mechanics. It is understood that changes to training courses and apprenticeships will have an effect on the instrument and electrical trades and the firm commitment of the parties to the agreement was required to overcome any problems associated with such changes (print K2962).

Junior rates formed part of the **Entry-level Training Corporation (Herne Hill)** agreement. Junior employees after one year of service will receive the appropriate junior rate plus 50 per cent of the difference between the adult rate for a level one employee and the relevant junior rate. After two years of service a junior employee shall receive the full adult rate for a level one employee (print K3361).

The parties to the **Commonwealth Bank** agreement have agreed to commence consultation, during the course of their agreement, on the principle of the training wage concept as an alternative to junior rates of pay (Print K3488). The **ANZ Bank** (Print K3191) and the **National Australia Bank** (Print K3256) agreements contain similar provisions (DIR 1993 pp 52-53).

A good example of new entry-level training arrangements not referred to in the above report are those entry-level training out in the Ford Australia enterprise agreement with the Automotive, Metals and Engineering Union, Vehicle Division (AIRC, print K8030, vehicle industry, 17 June 1993). This agreement addresses a number of issues related to entry-level training in the form of the Vehicle Industry Certificate (VIC). This qualification covers the basic skill levels (ASF 1 to 3) for operatives. A 1992 enterprise bargaining agreement at Hendersons Industries Limited (auto components manufacturers) also makes specific reference to skills training for the Vehicle Industry Certificate. Both examples are good illustrations of the emergence of a qualifications based labour market in the vehicle manufacturing industry.

### **Analysis of entry-level training provisions in enterprise agreements**

Of the agreements surveyed in the report "Workplace Bargaining: the First 1000 Agreements", some 78 were identified by the Department of Industrial Relations as having made some reference to entry-level training. Copies of these agreements were made available to the consultant and further analysis of these agreements identified 29 which had more than a passing reference to entry-level training arrangements. A profile of these agreements is presented in Table 3.2.

### **Agreements with specific reference to entry-level training**

The first point to note in reference to Table 3.2 is that there is a spread of industries represented. The type of employees covered by the agreements which include provisions on entry-level training are mostly production workers but white collar employees are also referred to in banking, journalism and the chemical industries. Nearly a third of the agreements commenced in 1993. The average length of the agreements,

where stated, is 16 months, suggesting that the agreements under scrutiny tended to be more longer term in orientation. However, most of the agreements (71 per cent) were supplementary to a parent award. In a few cases, the agreements related only to entry-level training (Australia Post and the Victorian State Electricity Commission) but many of these agreements with mention of entry-level training arrangements are, in fact, comprehensive in their coverage of a range of issues, despite the fact that they are to be 'read and interpreted wholly in conjunction with' a parent award.

Only 10 per cent of the agreements reaffirmed existing arrangements and only two-thirds of the agreements made an explicit reference to changed training provisions for new entrants. Only five agreements referred to adult or youth entry-level training alone. Most agreements mentioned both or made no explicit reference. Some 13 agreements referred to trainees and 18 agreements referred to apprentices and one agreement referred to a cadetship.

## **Key Findings**

An analysis of 1000 enterprise agreements was conducted and only 78 agreements were identified with some reference to entry level training. Of these, only 29 agreements had more than a passing reference.

Surprisingly, 15 of the agreements with a major focus on entry-level training still refer to the time served criterion only as the determinant of the length of training. Four agreements refer to the combined criteria time served and competency attainment. Six agreements do not state any details about the length of training. Virtually all agreements specified that the wages for apprentices and trainees should be based on a fixed annual proportion of the adult wage. Only one agreement mentioned that there could be an alternative depending on where the apprenticeship was time served or competency-based.

Most agreements specified that the number of days for on-the-job training be consistent with state training legislation and/or award requirements.

The use of competency standards for assessment was referred to in only 6 agreements with the remainder leaving the form of assessment unstated.

Some 12 agreements specified the annual increments for apprentices. These are shown in Table 3.2. The very different percentages of 32.5, 44.5, 57 and 68.5 per cent are based on the Engineering Technician Level 3 Base Trade and refers to apprentices engaged on maintenance work at the Gibson Island Works Chemical Complex in Brisbane.

Only one agreement mentioned improvements to on-the-job training.

The ratio of apprentices to tradespeople was mentioned in seven agreements with needing to be consistent with the industry parent award or the requirements of the State Training Authority. Two agreements stated explicitly the ratios to be maintained. The

enterprise agreement for Journalists in the ACT specifies that a 'ratio must be maintained of one cadet to every five members of the classified staff'.

The other agreement is the Note Printing Australia Enterprise Agreement where the apprenticeship arrangements are set out in considerable detail. This reflects the fact that the Printing and Kindred Industries Union maintains its own apprenticeship system separate from the state training authorities. The enterprise agreement states that :

- i) The maximum proportion of apprentices shall be: where one or more skilled adults are permanently employed as weekly employees at full rates of pay, one apprentice or probationer for apprenticeship to every three or fraction of three skilled adult employees permanently employed
- ii) Notwithstanding anything to the contrary contained in paragraph (i) of this sub-clause or elsewhere in this Award the employer may with the consent in writing of the appropriate union employ apprentices or probationers for apprenticeship in any branch of the industry in excess of the proportion prescribed in paragraph (i) of this sub-clause. The appropriate union, before approving an application made in accordance with this paragraph, shall satisfy itself that the employer has the plant, facilities and skilled adults necessary for the proper training of the apprentice or probationer for apprenticeship in respect of whom the application is made.

Apprentices or probationers for apprenticeship employed pursuant to the provisions of this paragraph shall not be included in future calculations of the proportion of apprentices to skilled adults authorised by this Award.

Source Section 18, Note Printing Australia Enterprise Agreement, 1992, K6071

Leading manufacturer and supplier of quality products and systems of German origin specialising in material handling equipment and heavy machinery for steel and metal producing industries and the chemical industry upgrading their quality assurance system to AS 3901

The agreement in relation to apprentice training states:

- . The company and employees will endeavour to achieve the highest possible training level for apprentices
- . The employees will, with the co-operation of the employer, be actively involved with apprentice training
- . All apprentices will be the subject of six monthly assessments and counselling. Formal records of training, conduct and counselling will be maintained
- . The relevant apprentice, tradesperson and parent will be encouraged to participate in apprentice counselling.

Source: Mannesmann Demag Pty Ltd (Enterprise Bargaining) Award 1992 Print K6314

### **Agreements with some mention of entry-level training**

The other 49 agreements that refer entry-level training do so only in passing and usually in relation to the operation of a skills-based career path within the workplace. The following extract from an agreement is an example of the letter. Junior wage rates for other than apprentices and ATS trainees are a frequent issue addressed. As noted above, the Commonwealth Bank of Australia Officers (Enterprise Bargaining) No.2 Award 1992 states that 'the parties have agreed to commence consultation, during the course of this award, on the principle of the training wage concept as an alternative to junior rates of pay' (p28 print J6280). The ANZ Enterprise Bargaining Award 1992 has a similar statement of intent: 'The parties will commence negotiations on the replacement of junior rates with more appropriate training-related rates consistent with the principles of job evaluation' (P 109 Print J9879).

Another agreement in the metal and engineering industry reaffirmed its 1984 policy of an "education incentive payment" to apprentices and production trainees which takes the form of a higher rate of pay for those who achieve excellence in the prescribed courses of study. Another agreement states that 'the company will alternate in the employment of adult and junior apprentices'.

### **Conclusion**

Many enterprise agreements where they make at least some mention of entry-level training do so in the context of implementing a new job structure and internal career path. There is an emphasis on induction training, appropriate junior rates and a period of probationary employment. Most agreements, however, rather than looking to arrangements for newcomers to the workplace give the issue little attention. There is a strong impression from reading the agreements that more attention is being paid to mechanisms for handling staff reductions. Where regulated entry-level training is explicitly mentioned in an agreement, there is some indication that many of these workplaces are

not implementing new, more innovative arrangements.

The evidence presented here from the ACIRRT Database and the DIR analysis of agreements shows that there is a small number of agreements overall, less than 10 per cent, with an explicit mention of entry-level training arrangements. This suggests that either most employers are comfortable with existing arrangements or regard regulated entry-level training as irrelevant. The lack of any mention in any agreement of new approaches to apprenticeship or trainees, and the persistence of the time-served criterion for determining wages and length of time in those agreements which do refer to apprentices/ATS trainees strongly suggest that there is a widespread reluctance to change.

Employers and unions are obviously not using enterprise bargaining agreements in their current form to introduce innovative approaches to the employment aspects of regulated training. However, another avenue for the introduction of new arrangements was referred to in the Chapter One is in the form of pilots for the Australian Vocational Certificate Training system. Information on these pilots established or proposed as at 30 June 1993 shows that 37 are work based and therefore requiring specific arrangements as to what conditions AVC trainees will be working under (DEET 1993).

Scrutiny of the information provided on these pilots, however, shows that most arrangements regarding wages and conditions follow existing provisions for apprentices or trainees. Virtually all of the 37 work based AVC pilots either use existing apprentice, ATS or CST provisions in awards to regulate the employment contract or are yet to determine the appropriate arrangements. AVC pilots by definition are likely to be introducing new competency based training arrangements but there is little indication that these new training arrangements have been combined with new, more flexible arrangements relating to AVC trainees as employees.

#### **CHAPTER FOUR    LABOUR MARKET CHARACTERISTICS OF ENTRY-LEVEL TRAINING**

This chapter presents data on both the supply and demand side of the labour market. The supply side information refers to the characteristics of the persons seeking entry-level training as well as the characteristics of those who are apprentices and Trainees. The demand side information refers to the characteristics of employers of apprentices and trainees and of employers offering or likely to offer positions with structured entry-level training. Also discussed are the future prospects for employment growth and the changing nature of what type of employees are likely to gain and what type are likely to lose from future employment trends.

##### **I Characteristics of seekers of entry-level training**

The most recent information on the transition from education to work is from an ABS survey undertaken in May 1992 (ABS 1992). Of the 384, 200 persons aged 15 to 64 who had left full time education in the 16 months to that date, 65 per cent were employed, 26 per cent were unemployed and 9 per cent were not in the labour force. This indicates that the transition from full-time schooling to employment is a problem for at least 26 per cent who were unemployed.

Of all leavers from full-time education:

- \* 75,100 (20 per cent) continued part-time studies
- \* 149,900 (30 per cent) were leavers from schools and 234,300 (61 per cent) from tertiary institutions
- \* 167,300 (44 per cent) had obtained a post-school qualification
- \* 85,800 (22 per cent) had no post school qualification and had not attended the highest level of secondary school

The number of school leavers with post school qualifications is improving.

From May 1990 to May 1992:

- \* the number of persons aged 15 to 64 with post-school qualifications increased by 361,500 (8 per cent)
- \* the number without post-school qualifications decreased by 75,000 (1 per cent)
- \* the educational participation rate for 19 year olds rose from 43 to 50 per cent. The proportion of 19 year olds who were not attending an educational institution and were without post-school qualifications has decreased from 45 to 40 per cent
- \* the educational participation rate for 22 year olds rose from 18 to 25 per cent. The proportion of 22 year olds who were not attending an educational institution and were without post-school qualifications fell from 50 to 39 per cent.

### **Labour market activities of young people**

Figure 1 provides information for May 1992 on the labour market activities 15-19 year olds (see attachment 2). The key points are

- \* About half are still in full time secondary education. This proportion has now increased to 51 per cent (July 1993) and reflects a major change in activity for this age group from 1980 when the proportion was 35 per cent and even from 1990 when the proportion in schooling was 45 per cent.
- \* June 1993 data show that 84 per cent of 16 year olds and 60 per cent of 17 year olds are still in full time education
- \* As the number of university places is limited (accounting for 12 per cent of the destinations of this age group) and likely to remain so in the future, other important post school options are:
  - TAFE full-time ( 5 per cent)
  - Other educational institution ( 2 per cent)
  - TAFE part-time combined with work ( 6 per cent)
  - Full time work (13 per cent)
  - Part-time work ( 4 per cent)
  - not in education or work



(including persons looking for work)(10 per cent)

Figure 2 presents data on the activities of 20-24 year olds for May 1992. The main points are:

- \* The major shift to full time employment for close to the majority of this age group. More recent data (July 1993) show that 54 per cent of 20-24 year olds are employed full-time with 9 per cent employed part time
- \* It is important to note the increase in the proportion not in education or work. This proportion has risen from 10 per cent for 15-19 year olds to 19 per cent for 20-24 year olds. More recent data (July 1993) show that this proportion has increased to 22 per cent while 15-19 year olds in this category stands at 12 per cent. This is an obvious target group the entry-level training arrangements need to address.
- \* Only 13 per cent of 20-24 year olds are in University full-time
- \* TAFE full time enrolments for 20 to 24 year olds only account for 2 per cent of the age group
- \* TAFE part-time enrolments for this age group are also likely to be closely associated with apprenticeship and traineeship arrangements

### **Employment characteristics of young people**

Figure 3 describes the type of full and part-time employment of 15 to 19 year olds in May 1993. The main key features to note are:

- \* part-time employment accounts for 55 per cent of jobs for this age group with 78 per cent of the part-time jobs are performed by full time students. There are obviously a large number of low paid, dead end jobs in labouring & services performed by 15 to 19 year olds, mostly full time students
- \* labourers and related work accounts for 26 per cent of employment. It is not known what proportion of this group has access to structured entry-level training
- \* Similarly with the high proportion of employed young people (40 per cent) in services, it is not known what proportion of these workers are in a structured entry-level training program

But the relatively few traineeships in retail and personal services compared with young peoples' share of employment (3,485 traineeships in retail operations in 1992/93) suggests that many young workers in this sector are without access to structured entry-level training.

- \* The category of tradespersons for 15 to 19 year olds refers to young people in apprenticeship training. Some 77 per cent of part-time TAFE attendees were in full time employment and 9 per cent were in part-time employment (ABS 1992: Table 3, p5).

Apprentices account for 35 percent of all full time employment for this age group .The proportion of male full time employment who are apprentices is much higher. A gender breakdown is not available for this age group of apprentices but for the wider age group of 15-24 years males, about 20 per cent are apprentices.<sup>2</sup>

Figure 4 presents data on the type of employment for 20 to 24 year olds for May 1993. The key points are:

- \* The high proportions in labouring and services work in the younger age group (66 per cent) has fallen to 38 per cent), probably reflecting the switch from 55 per cent in part time jobs for 15 to 19 year olds to 21 per cent in part time work for 20-24 year olds
- \* Tradespersons are an important aspect of the type of employment for this age group. As noted above, the large difference between the numbers of male and female apprentices means that apprenticeships account for a significant proportion (20 per cent) of the employment for 20-24 year old males.

### **Industry employment profile for young people**

Figures 5 & 6 provide a profile of the industries in which young people (aged 15-24 years) work (May 1993). The main points are:

- \* The large contribution of the wholesale and retail industry to the employment available to 15 to 19 year olds (51 per cent)
- \* However, this same sector only accounts for half this proportion for the employment of 20-24 year olds, probably reflecting the drop in the number of jobs available for workers on adult wage rates. Clearly there is something about employment in wholesale and retail that promotes this dramatic change in the age profile of those in employment. The payment of youth wages is likely to be a major aspect of the attractiveness of 15 to 19 year olds in the wholesale and retail industry

The picture for other sectors in comparing the employment patterns of the two age groups is not very different. This applies to:

- manufacturing and construction in both age groups have stable employment shares of around 12 to 15 per cent and 6 respectively. This may reflect the effect of regulated training arrangements.
- Recreation, personal and other services (13 per cent in both age groups)

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<sup>2</sup> Some 121,300 male apprentices are recorded by the ABS in May 1992, including the 3,300 who are over age of 24 (ABS 1992a:Table 20). The total in full time employment in May 1992 was 599,200 (ABS 1992b:Table 16).

In community services, and Finance, Property & Business Services, the proportion between the age groups rises from 6 and 7 per cent to 13 and 15 per cent respectively.

### **Significance of young people in employment by industry**

Tables 1 to 5 in attachment 2 to this chapter show the proportion of young people in each industry over each quarter between August 1992 and May 1993 and for the total same period. The sectors in which young people are a significant source of employees in order of importance are:

- \* Wholesale and Retail (32 per cent of the total workforce are 15 to 24 year olds)
- \* Recreation, personal and other services (31 per cent)
- \* Manufacturing (19 per cent of total workforce)
- \* Finance, property and business services (19 per cent)
- \* Construction (17 per cent)
- \* Agriculture, forestry, fishing and hunting (14 per cent)
- \* Mining, Transport & Storage, Public Administration and defence, community services (all at 12 per cent)
- \* Electricity and Community (11 per cent each)

The industries which have increased their share of young people (15-24 years) over the four quarters to May 1993 are:

- \* public administration (33 per cent)
- \* agriculture, forestry, fishing & hunting (8 per cent)
- \* construction (7 per cent)
- \* wholesale and retail (4 per cent)

The industries where the share of young people (15-24 years) has decreased are:

- \* Electricity, gas and water (25 per cent)
- \* Mining (13 per cent)
- \* Finance property and business services (13 per cent)
- \* Community services (9 per cent)
- \* Recreational, personal and other services (5 per cent)

### **Characteristics of persons in Regulated Entry-level Training:**

#### **Apprentices**

Figure 7 shows the trade groupings of the occupations in which apprenticeships were completed to June 30, 1992. The trades in order of importance in terms of number trained are:

	percentage
Building	18
Electrical	15
Vehicle	14
Food	11
Other (includes: footwear, furniture, stonemasonry, silversmithing, shipwrighting, mechanical)	11

Metal fitting and machining	10
Other metal (includes: aircraft, boiler- making, mechanics)	9
Hairdressing	8
Amenity horticulture	2

The relatively narrow range of occupations in which apprenticeship arrangements exist needs to be noted.

Figure 8 shows the number of apprenticeships completed from June 30, 1982 to June 30, 1992. The fluctuation has been in the range of between just over 25,000 in 1986 to nearly 40,000 in 1985. The commencements, shown in Table 6, are, however, more telling in terms of fluctuations in numbers because the commencements reflect the impact of the recession from 1991.

**TABLE 6 - APPRENTICESHIP COMMENCEMENTS FROM 1982-83 TO 1991-92**

82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
34,794	37,995	49,995	51,757	52,082	55,001	62,678	62,559	44,985	40,500	46,370

Source: DEET 1993, Table 5

The range of variation is from 62,678 commencements in 1989 to 34,794 in 1983. The apprenticeship system is particularly subject to economic conditions, as would be expected from employment-based training arrangements.

There has been a recent improvement in apprenticeship commencements from the low in 1992 of 40,500 to 46,370 in 1993, most probably due to the effect of an increase in subsidies by government to employers and the effect of some employers postponing their recruitment in 1991-1992. Another feature of the impact of the recession is the large number of cancellations and withdrawals. These are running at between 4000 and 5000 a quarter. The result is that the total number of apprentices in training at June 30, 1993 was 122,085 (although this figure is preliminary) compared with 142,939 a year earlier. The total number in training for the period 1983 to 1993 is given in Table 7.

**TABLE 7: APPRENTICES IN TRAINING**

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
138,843	131,915	128,580	130,401	138,914	147,110	151,736	160,989	150,989	142,939	122,085

Source DEET: Apprenticeship Statistics 1982-83 to 1991-92 and VEETAC Quarterly Apprenticeship Statistics 1 April 1993 to June 1993. The 1993 is preliminary. The final figure could be up to 10 per cent higher.

### Characteristics of Apprentices

The most recent ABS statistics relate to May 1992. These show that in May 1992, there were 137,000 apprentices with the following characteristics:

- \* As many as 89 per cent were male
- \* 63 per cent were aged 15 to 19 years
- \* 35 per cent were aged 20 to 24 years
- \* only 2 per cent were aged 25 - 34 years
- \* 17 per cent of apprentices had left full time education at age 15
- \* 32 per cent at age 16 and 40 per cent at age 17-19

This compares with the situation in 1987 when -

- \* 24 per cent of apprentices had left full time education at age 15
- \* 39 per cent at age 16 and 30 per cent at age 17

Source: ABS Catalogue 6227.0 Table 20

The data shows that -

Apprenticeships are still based on youth entry. Only two per cent of apprentices were aged above 24 years, the same proportion as five years previously. The proportion of over 24 year old apprentices has never risen about 3 per cent since 1987 despite the changes to many awards to provide for adult apprentices.

Figure 9 makes a similar point about the importance of youth entry (15 to 19 year olds) but fails to identify the low proportion of apprentices aged over 24 years.

The age at which apprentices have left full time education has increased markedly between 1987 and 1992. Ten per cent more apprentices in 1992 had left school aged between 17 and 19 years compared with five years earlier.

## **Traineeships**

Figure 10 presents data on the distribution of sectors which traineeships were commenced in 1992-93 to March 1993. The largest number of traineeships are in

- office-clerical (35 per cent)
- public sector (25 per cent)
- retail sector (20 per cent)

A comparison of the sectoral coverage of traineeships with apprenticeships (cf Figure 7) shows there is little overlap between the occupations covered by apprenticeship and traineeship arrangements:

- manufacturing, building, electrical and automotive mechanical together account for nearly two thirds (66 per cent) of all apprenticeships. Traineeships in the same sector only amount to between 4 and 6 per cent.

Clearly apprenticeships are the preferred entry-level training arrangements in certain sectors, and traineeships have been limited to other sectors. Whether this is to do with tradition, skill requirements of the different sectors or gender discrimination is difficult to discern. All three factors may be important in trying to explain the different distribution of entry-level training arrangements.

It should also be noted that there was a deliberate policy decision at the beginning of the ATS to establish structured entry-level training in areas where previously none existed and where there is a large proportion of the youth population.

There was also a decision to avoid the occupational areas already covered by apprenticeship arrangements because of the likelihood of strong union resistance to change in these areas.

Table 8 provides information on the number of traineeship commencements

**TABLE 8: TRAINEESHIP COMMENCEMENTS UNDER THE ATS  
1985-86 TO 1993**

85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
1,093	7,151	10,373	13,659	12,936	9,443	9,216	16,708

Source: DEET ATS Trainee Commencements 1985-86 to 1992-93

These data reveal that traineeships have not reached the target of "at least 75,000 places annually, with broad industry coverage" as originally proposed by the Kirby Report which recommended that the ATS be established (Kirby 1985:119). The total number of commencements to June 1993 from inception is 80,579. The number of traineeships once established remained within the range of around 9500 to 13,700 but with the introduction of enhanced subsidies in 1992, the number of trainees has increased by 81 per cent to an all-time peak from the low in 1991-92. This indicates a high degree of price sensitivity on the part of a significant number of employers of trainees.

The increase in trainee commencements since the second half of 1991/92 can be largely attributed to the incentives introduced at that time. The recent growth in traineeship numbers has been concentrated in the Commonwealth Government and the Victorian private sector (see Figure 11).

Evaluation and longitudinal surveys of the ATS over 1989, 1990, and 1991 by the Department of Employment, Education and Training show that:

- some 69 per cent of trainees have been female

- retention rate for 1991 graduates remained a high 80 per cent compared with 86 per cent in 1989. Some 77 per cent of graduate trainees were retained in 1991 despite the economic downturn

- a third (32 per cent) of trainees who changed jobs between 1989 and 1991 did so for promotion or improved career prospects, a further did so for more money or a more interesting job

- 30 per cent of employers of trainees had previously rarely employed youth 16-19 years while 30 per cent said they would do so now and 50 per cent regarded traineeships as a permanent point of entry.

The evaluation of the ATS has found that the system has been successful in achieving long term improvements in the employment prospects of young

people, notwithstanding the failure to meet the original targets entry-level training out in the Kirby Report.

### **The effect of the recent increase in subsidies**

The impact of a range of subsidies on apprenticeship and traineeship numbers in Victoria only is shown in Diagram 1 to 6 (see attachment 3). The One Nation Statement in February 1992 increased payments to employers from \$1,000 to \$2,000 for recruiting apprentices and trainees. A further announcement in July 1992 extended this incentive to June 1993 and included an extra incentive for additional apprentices/trainees recruited in 1992/93. There was also an increase in the amount paid (from \$1,000 to \$2,000) to an employer for employing some one from a disadvantaged group. The Victorian Government also offered significant recruitment incentives. The total amount of incentives an employer could collect during this period was up to \$8,000 and up to \$10,000 per apprentice/trainee in Victoria.

The effect of these subsidies is clearly evident on the monthly intake of apprentices and trainees. An increase in numbers appears to follow from the re-establishment grant in awarded after 12 March 1993, the additional first year apprentice payment from 1 January 1992 and the increase in the incentive to recruit female and other disadvantaged apprentices and trainees from 13 November 1992.

The increases in numbers recruited, however, do not appear to be sustained beyond a relatively short period. The more important trend shown in the graph is the close correlation between the apprentice and trainee intake and the general pattern of employment growth. Despite the short term effect of the extra subsidies, the numbers of apprentices and trainees are heavily dependent on economic conditions and the overall pattern of job growth. The subsidies, nevertheless, may have helped to ensure that young people were not disproportionately disadvantaged in a highly competitive labour market.

## **II The Characteristics of Employers of Apprentices and Trainees**

The Table 9 presents data on the type of employer in terms of employment size who takes on apprentices and ATS trainees. There is no reason to believe that this pattern does not apply to the employment characteristics of the employers of apprentices and trainees in other States. This confirmed by ATS data for Australia which show that 62 per cent of employers who have taken on a trainee have less than 10 employees (DEET 1993:5).

As its commonly believed, these data show that most employers of apprentices and trainees are small employers. A very high 47 per cent of employers in NSW have only 1 to four employees, with a cumulative total of 61 per cent of employers with less than 10 employees. Only 13 per cent of employers are medium to large in employment size. Large employers (500 plus) only account for seven per cent of all employers of apprentices and trainees.

### **TABLE 9: APPRENTICE AND ATS TRAINEE COMMENCEMENTS IN NSW AND EMPLOYMENT SIZE OF EMPLOYER, 1992-93**

<b>Employer Size (number of employees)</b>	<b>Per Cent</b>	<b>Distribution of employees in Australia</b>
1 - 4	46.5	20.9
5 - 9	14.6	20.9
10 - 19	9.7	11.6
20 - 49	8.3	13.3
50 - 99	4.0	9.5
100 plus	13.4	44.5
Not Stated	3.5	
	N = 21,504	N= 4,478,000

Source: NSW Department of Industrial Relations, Employment, Training and Further Education, unpublished data. And ABS (1991) Small Business in Australia 1990 Catalogue 1321.D.

This distribution of employers with apprentices/trainees by employment size needs to be compared with the overall distribution of employment by employer size in Australia. Aggregate data 1989-90 show that 56 per cent of wage and salary earners are in enterprise with less than 100 employees (45 per cent in the goods producing sector and 60 per cent in the services sector) (BIE 1992:Table 2.3). A comparison with the distribution of employers with apprentices/trainees above shows that a disproportionate numbers of these employers (87 per cent) are small employers compared with all enterprises in Australia (54 per cent). A more desegregated picture of Australia's overall employer size shows that there is a strong concentration of employers with apprentices/trainees who have less than 10 employees compared with the employed population at large (61 per cent of NSW employers with apprentices/trainees compared with 21 per cent Australia wide with less than 10 employees).

Several conclusions flow from a recognition of the type of employer most likely to engage young people under these arrangements. Small employers are:

- \* Less likely to be able to offer a range of work experience.
- \* not likely to have separate training facilities or personnel trained as trainees. A formal program of training is more likely to be provided in workplaces that are part of a larger organisation. In single workplaces, employees were more likely to be "shown what to do" (Callus, Kitay and Sutcliffe 1992:133). This lack of facilities, however, may be overcome by the existence of a structured training plan and specified competencies to be attained.
- \* more likely to operate in highly competitive price sensitive markets where labour costs are a significant component of overall costs. This is borne out by the large increase in the number of apprentice and trainee commencements in response to the extra subsidies announced in the One Nation Economic Statement in 1992 and



subsequently.

- \* Likely to see apprentices and trainees as cheap sources of labour or at least are most sensitive about the overall costs of employing an additional employee .
- \* Small employers who are owner/managers are likely to be more selective in choosing staff than non-owners (Callus, Kitay and Sutcliffe 1992:133).

### **Characteristics of Small Business In Australia**

Small business plays a larger role in Australia and the UK than in either Germany, France or the USA although not as large as in Japan (BIE 1992:31). Small business enterprises with (less than 100 employees) accounts for more than 35 per cent of employment in manufacturing in Australia but is dominant in certain sectors of manufacturing. The three sub-sectors in manufacturing with the largest shares of small business (wood products and furniture, fabricated metal products, clothing and footwear) are also significant employers of apprentices. If employment of apprentices in the future is associated more with small business, and as the share by small business of employment differs greatly between sub-sectors in manufacturing, the result is likely to be a variable use of apprentices in this sector. It is important to note also that small business in manufacturing, where apprentices are most likely to be performed, have only two-thirds the labour productivity of the average manufacturer (BIE 1992:25).

The role of small enterprises (defined as less than 20 employees) in this sector is high at 67 per cent wage and salaried of employment in construction. Australia and the UK stand out as countries (compared with Japan, Germany, USA and France) in which small enterprises most dominate construction industry employment, either as self employed or employers with only a small number of employees (BIE 1992:26). Because apprentices are more likely to be employed by small business, the tendency for this sector to continue to use apprentices in this sector in Australia is likely to be significant. In retail trade, small business defined as having less than 10 employees employed 45 per cent of employees in that sector in Australia.

### **Some Of The Characteristics Of Employment In Small Firms**

A longitudinal study of small business in Australia found that:

- \* Small firms generally make more extensive use of part-time and various forms of short-term employment than do larger enterprises (Williams 1992:85).
- \* The employees of small business, according to William's survey findings, were more highly educated than the owner/managers.
- \* Only one fifth of owner/managers and less than 10 per cent of employees had relevant technical studies extending beyond one year. Some 45 per cent of owners/managers and 60 per cent of employees had no relevant technical, trade and/or professional

studies related to the type of work undertaken in the business (Williams 1992:95).

The AWIRS survey data showed that small workplaces (5 - 20 services and 5-100 in manufacturing), 39 per cent had no employees less than 20 years old compared with 15 per cent for large workplaces (Callus, Kitay, Sutcliffe 1992:119).

- \* Most small employers, according to the results of the survey by Williams, prefer to employ people who are like themselves in terms of age, gender, management status, previous work experience, formal education, occupational experience, technical studies and managerial experience. This suggests that without a structured entry-level training system, labour market entrants are not likely to be the first choice of a new employee.

The exception to this finding would appear to be the employers of apprentices and trainees because of custom and practice, peer employer pressure and established arrangements. This suggests the value of having a structured entry-level training system in place where small employers can easily access a system of employment and training for new employees.

The research by Williams also found that training in small firms is:

- \* almost exclusively done "on the job"
- \* almost exclusively on a one-to-one basis
- \* is ad-hoc and piecemeal, occurring as when needed, usually in response to employees confronting a problem which prevents them from completing their assigned task
- \* generally takes the form of "show and tell" reasons for using one method rather than another are rarely given unless asked for
- \* feedback from employees is rarely sought
- \* "On the spot" and "here and now" training is regarded by many owner/managers as the most effective and appropriate mode (Williams 1992:101). Owner managers generally believed that such informal training was effective but 66 per cent of employees were very critical

Williams concludes that small firms in Australia operate with too many unskilled employees and too few who are highly skilled, relative to the firm's work requirements. Williams further concludes that many owner/managers have an unrealistic perception of their own skill adequacy.

### **III Future employment trends**

Richard Sweet has produced evidence of a disproportionate loss of jobs by young people in the current recession. Figure 12 entitled labour market winners and losers 1990-93 shows that young people aged 15 to 19 years from February 1990 have experienced a net loss in jobs (full and part time employment combined) compared to the same month in the previous year. This net loss in jobs was experienced much earlier than

persons aged 20 years and over. The latter age group did not experience a net job loss compared with the same month the previous year until March 1991. Except for one month, (July 1991) young people aged 15-19 years have experienced an equivalent or greater net loss in each month throughout the recession to date. Even with the recent small signs of an increase in employment for persons aged 20 years and over from July 1992, young persons 15 to 19 years have missed out, failing to show (except for one month in January 1993) a net gain throughout the entire period February 1990 to May 1993.

Further evidence is supplied in Figures 13 and 14. Total teenage employment (15-19 years) compared with adult employment since the beginning of 1990 has declined almost in a straight line while adult employment has fluctuated along a gently rising trend line. This is shown even more clearly with the third diagram supplied by Richard Sweet. The downward trend for teenage employment is clearly shown with employment growth or decline for teenagers and adults indexed to January 1989. This trend reflects the higher retention rates at secondary school in years 11 and 12 as well as the decline in the number of full time jobs for this age group.

The overall pattern for unemployment over the past two decades has been to remain at a higher level after each recovery. Simply left to market forces, the differential impact of the fall in employment on 15 to 19 year olds will likely to continue into the future. The decline in employment opportunities for young people also indicates the limitations of relying on an employment-based entry-level training system to provide positions for young people in the future.

### **"Jobless Growth"**

The Federal Treasury in its Budget Statement No.2 has referred to the phenomenon of 'jobless growth' to describe the recent tendency in a number of countries for the recovery in output to be achieved by higher labour productivity rather than through an increase in employment. This raises the question of whether this phenomenon is part of a long-term trend divorcing employment from economic growth. In the past, output and employment have tended to move together but generally the employment growth lags behind output growth and fluctuates less.

One reason for this is the fixed costs firms incur for hiring and firing which makes them reluctant to retrench employees when demand falls but also hire new employees when the economy improves. Hence, changes in output tend to be achieved initially by varying the intensity of work effort or the total number of hours worked rather than by varying the number of people employed (Australian Treasury 1993:2.46). Employers are falling back on their core workforce to meet the increase in demand.

Although Treasury claim it is too early yet to identify a trend, there is considerable evidence from aggregate data from surveys and case study data that employment could well be 'jobless growth' as enterprises seek to retain their improved productivity performance by concentrating their efforts to lift productivity on a smaller core workforce. Pressures from the opening up of the economy for Australian manufacturers through lowered tariff barriers, a currency subject to market forces, the provision of more efficient infrastructure services together with more flexible employment practices makes it likely that many employers aiming to compete on international markets will seek to involve their

workforce in continuous productivity improvement. This entails a long-term strategy of skills upgrading, improved pay arrangements including pay for performance and other measures to cultivate and retain a core workforce.

At the same time, employers will seek to meet their short term demand for labour to perform discrete functions by engaging employees on a part-time or casual basis. It is noteworthy that part-time male employment has increased markedly since June 1990 (up by 20 per cent from June 1989 to June 1993) compared with a decline in full employment for males (declined by about 5 per cent from June 1989 to June 1993) Australian Treasury 1993:2.14. Overall the proportion of the male population in the labour force (in employment or actively seeking work) has declined from over 80 per cent in June 1972 to 74 per cent in June 1993. Female labour force participation, in marked contrast, has increased from 40 per cent in June 1972 to over 50 per cent in June 1993 (Australian Treasury 1993:50).

The extent to which an industry uses peripheral or non permanent forms of labour differs greatly. The following table derived from a special tabulation from the 1990 Australian Workplace Industrial Relations Survey shows the considerable differences in the proportion of permanent full time employees and employees engaged under other arrangements (permanent part-time, casual full time and part-time, contractor, agency outworkers or home worker). These data only refer to workplaces with 20 or more employees. So in construction and retail trade for example, a significant part of the industry is not included.

The industry sectors with over half of their workforce in non-permanent and recreational services (56 per cent), Health (51 per cent) and Retail Trade (50 per cent). Other sectors with a quarter or more of their workforce in peripheral employment categories are Welfare and Religious Services (63 per cent), Education, Museum and Library Services (71 per cent) and Property and Business Services (76 per cent) and Food Beverage and Tobacco Services (77 per cent).

Restaurants, hotels and clubs rely most on a peripheral workforce, mostly in the form of casual part-time employment (44.8 per cent). Similarly, the Entertainment and Retail Trade was also heavily reliant on this form of employment (38 per cent). Other sectors who were still significant users of casual or temporary part-time employment are Welfare (16 per cent), Health, food, Beverages and Tobacco (10 per cent), and Wholesale Trade (8 per cent). If all forms of casual employment are considered, then Restaurants, Hotels and Clubs rely on temporary work for over half of its labour input (56 per cent).

At present, there is no provision for regulated entry-level training for part-time employees. Clearly this discriminates against a large number of employees and further accentuates the differences between the core workforce which has access to a career path through work-based entry-level training and part-time or casual employees who do not. The growth in the number of people employed part time during the 1980s means that this pattern of employment has become firmly established.

**TABLE 7: DISTRIBUTION BY INDUSTRY BY PERMANENT FULL TIME AND OTHER FORMS OF EMPLOYMENT (PERMANENT PART-TIME, CASUAL FULL-TIME AND PART TIME, CONTRACTOR,**

**AGENCY OUTWORKER OR HOME WORKER)**

Industry	Permanent F/T		Other		Total		n*
<b>Mining</b>	91.6		8.4		100		41
<b>Manufacturing</b>							
Food, Beverages, Tobacco	76.7		23.3		100		67
Textiles	93.4		6.6		100		15
Clothing & Footwear	87.8		12.2		100		32
Wood, Wood Products & Furniture	89.3		10.7		100		31
Paper, Paper products, Printing, publishing	84.3		15.7		100		38
Chemical, Petroleum, Coal Products	89.2		10.8		100		38
Non-metallic Mineral Products	88.5		11.5		100		27
Basic Metal Products	93.9		6.1		100		26
Fabricated Metal Products	90.0		10.0		100		53
Transport Equipment	94.9		5.1		100		38
Other Machinery and Equipment	91.7		8.3		100		42
Miscellaneous Manufacturing		84.9	15.1		100		25
Electricity, Gas & Water				7.9	100		44
Electricity & Gas	92.1				100		44
Water, Sewerage & Drainage		88.1	11.9		100		10
<b>Construction</b>							
General Construction	84.7		15.3		100		71
Special Trades Construction		88.5			11.5		100 16
<b>Wholesale &amp; Retail Trade</b>							
Wholesale Trade	83.2		16.8		100		67
Retail Trade	49.5		50.5		100		189
<b>Transport and Storage</b>	89.1		10.9		100		83
<b>Communication</b>	90.7		9.3		100		48
<b>Finance, Property &amp; Business Services</b>							
Finance & Investment	87.4		12.6		100		65
Insurance & Services	90.2		9.8		100		25
Property & Business Services	76.3		23.7		100		96
<b>Public Administration &amp; Defence</b>							
Public Administration	87.3		12.7		100		94

### **Community Services**

Health	48.9	51.1	100	139
Education, Museum & Library Services	70.9	29.1	100	131
Welfare & Religious Services	63.3	36.7	100	10
Other Community Services	87.3	12.7	100	53

### **Recreation, Personal & Other Services**

Entertainment & Recreation	44.4	55.6	100	32
Restaurants, Hotels & Clubs	34.0	66.0	100	78
Personal Services	87.0	13.0	100	4

<b>Total</b>	75.3	24.7	100	1722
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\* n = sample size

### **Contribution of small business to employment growth**

The Treasury Budget Statement No.2 highlights the role played by small firms (1 to 19 employees) in employment growth (see Chart 1). While large firms (100 or more employees) showed a negative contribution to growth of -5 per cent in December 1991, and a little less than -2 per cent in December 1992, medium size firms (20 to 99 employees) went from less than -2 per cent point contribution to a slightly positive contribution. But the smallest size of firm (1 to 19 employees) has gone from a positive contribution of about one percent to two per cent. This could partly reflect a tendency for large employers to shed non-core functions and for former employees to set themselves up as a contractor alone or in association with their former work colleagues. Anecdotal evidence indicates that this is occurring for such diverse groups as maintenance workers in manufacturing to cleaners in government enterprises.

Nevertheless, the contribution of small business to employment growth has to be taken into account in considering how to extend work-based Entry-level training arrangements. A longitudinal study by Williams (1989) of small firms (average 2.19 owner/managers and 2.57 employees) estimates (tentatively) that over the period 1973 to 1987 small enterprises contributed almost 70 per cent of net job growth. However, this finding is open to criticism. It can, at least, be claimed that small firms contribution to employment growth is significant as their share of total employment (BIE 1992:34).

### **Conclusion**

The evidence presented in this chapter shows that, in terms of the labour market supply side, there are difficulties for a significant group of leavers of full time education in managing the school to work transition. Of the people aged 15 to 64 who had left full time education in the 16 months to May 1992, 134,470 or 35 per cent were unemployed or not in the labour force. Of these 85,800 or 64 per cent had no post school qualification and had not attended the highest level of secondary school. The proportion of 22 year olds who were not attending an educational institution and were without post-school qualifications stood at 39 per cent.

Apprenticeships have been successful in offering employment and training to a significant proportion of young males. It was found that apprenticeships account for 35 percent of all full time employment for this age group. The proportion of male full time employment who are apprentices is much higher. A gender breakdown is not available for this age group of apprentices but for the wider age group of 15-24 years males, about 20 per cent are apprentices. Traineeships have attempted to counter this gender bias (69 per cent of positions have gone to young women) but have only generated combined employment and training positions at an average of 11,500 per year compared with an average of 52,000 commencements per year over the same period for apprenticeships.

On the other hand, institution-based vocational learning outside of universities appears to be used by only a relatively small proportion of the 15 to 24 year olds. Among 15 to 19 year olds, full-time attendance at TAFE or other educational institution only accounted for 7 per cent of the age group. TAFE full time enrolments for 20 to 24 year olds only account for 2 per cent of that age group.

The other aspect of a labour market perspective on entry-level training emphasising the demand side are the declining work opportunities for young people. The proportion not in education or work has risen from 10 per cent for 15-19 year olds to 19 per cent for 20-24 year olds. More recent data (July 1993) show that this proportion has increased to 22 per cent while the proportion of 15-19 year olds in this category stands at 12 per cent. Other data presented in the chapter shows that teenagers have lost more job opportunities during the current recession than the adult population. This differential impact of the recession on young people seeking work emphasises all the more the need to develop suitable entry-level arrangements to ensure equal access to "good jobs".

Looking at what sectors employ more young people compared with the extent of training arrangements shows up some major gaps. The large contribution of the wholesale and retail industry to the employment of 15 to 19 year olds (51 per cent) is not matched by the relatively few traineeships in wholesale and retail trade compared with young peoples' share of employment (3,796 traineeships in wholesale and retail trade in 1992/93). These results clearly show that many young workers in this sector are without access to structured entry-level training.

While half of 15 to 19 year olds are employed in the wholesale and retail industry, this same sector only accounts for half of this proportion of the employment of 20-24 year olds, reflecting the drop in the number of jobs available for workers on adult wage rates. Clearly there is something about employment in wholesale and retail that promotes this dramatic change in the age profile of those in employment. The payment of youth wages is likely to be a major aspect of the attractiveness of 15 to 19 year olds in the wholesale and retail industry.

In marked contrast, manufacturing and construction in both age groups have stable employment shares of around 12 to 15 per cent and 6 respectively. This may reflect the effect of regulated training arrangements.

There are, however, a number of limitations with existing entry-level training arrangements. Apprenticeships are still based on youth entry. Only 2 per cent of apprentices were aged more than 24 years, the same

proportion as five years previously. The proportion of apprentices over 24 years of age has never risen about 3 per cent since 1987 despite the changes to many awards to provide for adult apprentices.

The apprenticeship and traineeship systems are particularly subject to economic conditions, as would be expected from employment-based training arrangements. The number of traineeships once established remained within the range of around 9500 to 13,700 but with the introduction of enhanced subsidies in 1992, the number of trainees has increased by 81 per cent to an all-time peak. This indicates considerable responsiveness to a wage subsidy for many employers of trainees. A similar but not as dramatic effect of subsidies can be noted for apprentice commencements in 1992/93.

This high degree of responsiveness to incentive payments to take on trainees also raises the question of to what extent the ATS is seen by employers as an entry-level training system and to what extent it is seen as a vehicle for gaining a wage subsidy with little regard to training. The same question applies to Government in terms of whether they regard the ATS as a labour market or a entry-level training program. The proportion of places going to people classified as disadvantaged in the labour market is nearly a quarter (23 per cent) in 1992/93.

Data presented in the chapter confirmed the common perception that most employers of apprentices and trainees are small in size. Nearly half of employers of apprentices and trainees in NSW employers have only 1 to 4 employees, with a cumulative total of 61 per cent of employers with less than 10 employees. Only 13 per cent of employers are medium to large in employment size. Large employers (500 plus) account for only 7 per cent of all employers of apprentices and trainees. Small employers are less likely to have a systematic approach to training and therefore present special problems as a vehicle for delivering high quality training.

The contribution of small business both to employment growth and as employers of apprentices and trainees has to be taken into account in considering how to extend work-based entry-level training arrangements. The shortcomings of many small employers as trainers was also noted. Measures to lift the quality of training among this group of employers, if not properly resourced, are likely to experience difficulties as many small businesses operate in highly competitive market conditions with high failure rates. These conditions make it difficult to establish an employment based vocational training system without the input of considerable assistance and resources from supporting agencies.

The third main focus of the chapter was on future employment trends. Attention was paid to the emerging phenomenon of "jobless growth" and the development of a polarised labour market around a core and peripheral workforce. A focus by enterprises on a strategy of skills upgrading, improved pay arrangements and other measures to cultivate and retain a core workforce will be counterbalanced by the same employers seeking to meet their short term demand for labour to perform discrete functions by engaging employees on a part-time or casual basis.

The growth of peripheral forms of employment partly reflects a tendency for large employers to shed non-core functions and for former employees to set themselves up as a contractor alone or in association with their former work colleagues. Anecdotal evidence indicates that



this is occurring for such diverse groups as maintenance workers in manufacturing to cleaners in government enterprises. On the other hand, peripheral forms of employment have been an established part of employment arrangements in a number of industries such as health , recreation, tourism and hospital ity.

In both the new and not so new sectors where peripheral forms of employment exist, new, more flexible arrangements are needed to enable entry-level training systems to operate so that small employers have access to industry wide training arrangements to help them to meet their long term skill needs. Part time and casual employees also need access to structured training opportunities in the workplace so that they can attain a degree of employment security through the acquisition of recognised skills.

Existing work-based training arrangements are often narrow in their occupational and age group coverage, susceptible to considerable fluctuation according to economic conditions, dependent on government subsidies in a recession and poorly oriented to the low levels of employment growth and new forms of more flexible employment arrangements. Particular attention needs to be given to how to attract the involvement of small employers because that is where employment growth is more likely to occur while at the same time developing mechanisms to overcome the range of deficiencies that face a small employer as a provider of quality training.

## CHAPTER FIVE: **ENTERPRISE BARGAINING AND OCCUPATIONAL LABOUR MARKETS**

The longer term implications of the new industrial relations legislation in four states and the more flexible industrial relations framework at the federal level means that employers, unions and employees have a greater range of choice in how they reach agreement on their employment arrangements. A strong enterprise focus for skills training, highly flexible deployment and performance based pay are features which are diametrically opposed to the conditions imposed by occupational labour markets.

Labour market structures have their own entry point training systems. Occupational labour markets for manual and technical skills rely on apprenticeship or similar arrangements to provide the training and certification of skills on a broader basis than the needs, resources and inclinations of individual employers (Marsden and Ryan 1991: 253). One function of a structured occupational labour market for a union is as a means of maintaining the wages of their members on the basis of the recognised skills they hold regardless of who is their employer. The value of an occupational labour market to an employer is that it provides an institutional framework to control poaching or free riding behaviour by other employers. The employer is prepared to accept the standardised set of skills in return for spreading the costs of training across a number of employers.

The survival of an occupational labour market and its specific entry-level training arrangements requires an institutional framework backed by continuing union and employer support. In Australia, this institutional underpinning for occupational labour markets is provided through the award system in the first instance backed by federal and state legislation. The legislative support includes the prohibition of the employment of anyone under the age of 21 unless as an apprentice through a training contract (declared vocation). Also included in the institutional support given to occupational labour markets are the conditions stipulated by government for the granting of subsidies to employers for entry level training. Are these institutional requirements for the maintenance of occupational labour markets with their attendant entry-level training arrangements likely to survive the impact of enterprise bargaining?

### **Legislative framework**

At the federal level in Australia, the National Wage Decision of October 1991 and the Commonwealth Government's legislation on certified agreements define how enterprise bargaining will operate for those workers covered by federal awards. The enterprise agreement can be in addition to or instead of the existing awards covering a workplace. The requirements of the Enterprise Bargaining Principle (to address a broad agenda, for fixed terms and no departures from certain standard conditions of employment) were to some extent superseded by the changes in July 1992 to legislation regarding certified agreements (a New Division 3A inserted in Part VI of the Industrial Relations Act 1988).

These changes broadened the scope for the range of issues to be covered by an agreement provided the new conditions can pass a "no disadvantage" test by the Australian Industrial Relations Commission. The certified agreements are also required to involve unions as a party to the process, be negotiated through a single bargaining unit and to include grievance

handling procedures. There are now three avenues for workplace bargaining in the federal system: certified agreements, consent awards or over-awards payments (DIR 1993. 1).

It is the intention of the Commonwealth Government to use existing awards as a safety net to underpin enterprise bargaining. A "no disadvantage test" will continue to apply for certified enterprise agreements. The "no disadvantage test" obliges the Australian Industrial Relations Commission to examine whether the ratification of the agreement would result in the reduction of any entitlements or protection and to apply the "public interest" criterion if it does.

At the state level, Hilmer et al (1993: 53) have described the recent legislative changes as resulting in three variations:

- . the Victorian system which is a voluntary bargaining system covering both collective and individual employment agreements. The role of the unions as bargaining agents is negotiable and the place of industrial action is clearly defined.
- . the NSW and Tasmanian systems to be joined shortly by Western Australia based on two streams. One stream offers scope for enhanced enterprise bargaining built on existing patterns of representation and arbitral arrangements which recognise and support a strong union presence. The other option is enterprise bargaining without union involvement. Queensland also has two streams but its enterprise agreements are said to effectively require union involvement.
- . South Australia continues with a traditional system of conciliation and compulsory arbitration without any recent changes.

The effect of these legislative changes is to create for those workers not covered by federal awards an alternative to awards by making it easier to negotiate stand alone enterprise agreements which will take the place of awards. This choice is made the most explicit in Victoria where state awards have been abolished and a number of minimum conditions required in their place.

### **Different levels on which bargaining can take place**

The choice of types of bargaining currently available relates to the level at which the agreement is struck, the range of parties involved and, with this, the focus of the agreement. This includes the issue of whether it is collectively bargaining or is an agreement between an employer and an individual employee (see Table 5.1). The table relates to broad general patterns only as there are many specific exceptions to the postulated relationship between the level/focus of enterprise bargaining and the parties involved.

The actual choice an employers takes in the type of employment agreement he or she proposes to negotiate with their employees not only depends on the legacy of past practices but also, increasingly, on the particular labour use or human resource management strategy the employer may be actively pursuing. These strategies have implications, in turn, for how employers are likely to view critically the range, type and quality of the standardised skills available through occupational

labour markets and associated restrictions on deployment imposed as part of their operation. The choice of human resource strategy, of course, does not take place in a vacuum. It is likely to be influenced greatly by the relative bargaining power of the players involved against the background of the prevailing economic conditions.

Table 5.1: LEVELS OF FOCUS OF EMPLOYMENT AGREEMENTS FROM THE MOST GENERAL TO THE SPECIFIC

<b>Level &amp; Focus</b>		<b>Parties Involved</b>	
1	Broad industry or occupational award	1	Employer associations with large memberships and large unions organised on an occupational basis eg clerical awards, small firms in federal and state metal awards,
2	Specific industry award	2	Small numbers of large employers and a combination of industry-based occupationally-based unions eg, Steel Vehicle manufacturing
3	Enterprise award	3	Often large employers and predominantly industry based unions eg Telecom, ICI
4	Industry award and workplace "add on" agreement	4	Employer associations with large memberships and large unions organised predominantly on an industry/occupational basis eg large firms in Metal Industry Award.
5	Workplace agreement backed by industry award	5	Medium size individual employers and unions with employers taking the lead
6	Workplace agreement only	6	Small and medium individual employers dealing directly with their employees where unions are not strong
7	Individual employment agreement	7	Small employers, some large employers for supervisory and senior management

The following discussion highlights the current predominance of occupationally based awards and their vulnerability in the move to a more decentralised pattern of industrial relations. Enterprise bargaining in Chapter Three was defined not in the narrow sense of a

shift to a sole concentration on the enterprise. There has been a shift in the centre of gravity for industrial relations negotiations from the highly centralised national wage cases to industry, enterprise, workplace and combinations thereof.

At the most general level of the collective bargaining, industrial relations is conducted within the framework of a general award which is both industry and occupationally based. The award is multi-employer with often a number of employer associations representing a large number of employers who are respondents to the award. The other respondents are a large number of unions organised on an occupational basis. A profile of these broad occupationally based awards is presented.

### **Occupational awards**

Plowman and Rimmer (1992) using ABS data list 45 private sector multi employer awards, each covering more than 10,000 employees. In total 1.4 million or 31 per cent of wage and salary earners are covered by these awards:

- \* Only two of these 45 awards apply to employees in a single major industry; some 43 of the 45 cover multiple industries, with 37 of the awards applying to more than five industry sub-groups.
- \* 23 awards have more than 50 per cent of employees in the largest industry sub-group.
- \* The remaining 22 awards have a majority of employees dispersed across more than one industry group.

Plowman and Rimmer (1992) have rated awards by means of an index to show to what extent they refer to a specific industry or a number of industries. The index shows that 23 awards had employees widely dispersed across a number of industries, five awards had a medium concentration and 17 awards were highly or very highly concentrated in one or two industries.

The awards with a widely dispersed cross industry coverage are:

<u>Very Low Industry Concentration</u>	<u>Coverage</u>
Metal Industry Part 1 Award	148,000
Clerks Award (NSW)	84,000
Commercial Clerks (VIC)	76,000
Clerks and Switchboard Attendants (QLD)	56,000
Engineering (QLD)	71,000
Shop and Warehouse (WA)	42,000
Metal Trades (WA)	16,000
Clerks (SA)	27,000
 <u>Low Industry Concentration</u>	
Graphic Arts (Federal)	33,000
Transport Workers (Federal)	21,000
Textile Industry (Federal)	19,000
National Building Trades Construction (Fed)	18,000
Timber Industry (Federal)	18,000

Rubber, Plastic and Cables (Federal)	16,000
Vehicle Industry (Federal)	14,000
Metal Trades Part 3 Vic (Federal)	13,000
Transport Workers General (Federal)	10,000
Shop employees (NSW)	107,000
General Shops (VIC)	35,000
Shop Assistants Southern (General) (QLD)	34,000
Clerks (WA)	10,000
Shops (WA)	15,000

Most of these awards are occupationally based covering blue collar and white collar occupations across a number of industry sectors and subgroups. (The Metal Industry Award covers 9 industry groups and 68 industry subgroups). Many of these occupationally-based awards also contain regulated entry-level training provisions

- \* Metal Industry Award
- \* Engineering (QLD)
- \* Metal Trades (WA)
- \* Graphic Arts (Federal)
- \* Textile Industry (Federal)
- \* National Building Trades Construction
- \* Metal Trades Part 3 Victoria (Federal)

It is these occupationally based awards with broad industry dispersion on the UK and NZ evidence that are most vulnerable to a move to more decentralised industrial relations (see attachment 5.1). This will be particularly the case where unions have a weak bargaining presence at a more specific industry or enterprise level. Despite the fact that at a federal level, award conditions will provide a safety net, increasing dissatisfaction on the part of employers with the broad and inflexible coverage of occupationally based awards coverage will over the medium term ( the next five years) is likely to result in a significant leakage to a variety of new, more flexible arrangements.

These new arrangements are likely to encompass not only stand alone enterprise agreements but also multi employer agreements focused on a specific industry sector and more individual employment arrangements to get around the safety net provisions. Such arrangements include reducing the hours of work and subcontracting for specific services for a fixed period. In the absence of other changes to lift labour productivity through investment in sophisticated technology and a strong underlying economy, pressure will mount on employers to find ways to circumvent the minimum safety net based on occupational awards with inflexible provisions. Government, in turn, may restrict alternative employment arrangements, as it has done with subcontractors in the building industry.

The following table provides information on the preference of a sample of employers in the metal industry for different levels of bargaining. The survey was conducted in July 1993 on behalf of the MTIA by the Australian Centre for Industrial Relations Research and Training (ACCIRRT) of Sydney University. The survey sample was 569 members of the MTIA and a response rate of 95 per cent was achieved. The survey sought the views of MTIA members as to their preferred system of regulating wages and employment conditions.

**TABLE 5.2  
Preferred Method for Wage Determination of MTIA Members  
(per cent)**

size of employer	Industry Award & over-award	Enterprise negotiations with union	Enterprise negotiations without unions	Individual contracts
5-19	54	0	25	21
20-49	46	4	30	20
50-99	36	14	35	14
100+	29	17	41	14
<b>All</b>	<b>44</b>	<b>7</b>	<b>32</b>	<b>18</b>

Source: MTIA Submission to Minister Brereton August 1993

The preferred system of regulating wages and employment conditions amongst small and medium size employers is clearly the award system supplemented by over-award arrangements. The survey also shows that there is not much interest amongst small and medium size employers in negotiating enterprise arrangements, especially if it involves a union. The overall proportion of respondents who nominated industry award and over-award negotiations as their preferred system of regulating wages and conditions is 44 per cent with 32 per cent preferring enterprise negotiations without a union, 18 per cent on individual contracts and only 7 per cent choosing enterprise negotiations with a union.

However, smaller firms are more likely to choose the first and third options (54 per cent and 21 per cent respectively for firms with 5 to 19 employees.) The firms with 100 plus employees are the most likely to choose enterprise bargaining without unions (41 per cent) compared to the industry award/over-award option (29 per cent). These results suggest a shift away by employers from a reliance on an overarching industry/occupational award from substantial coverage to minority coverage with a majority (56 per cent) of firms opting for enterprise or individual employment contracts. If this is the trend in an industry that is well served by an highly regarded and prominent employer association, the move away by employers from broadly based awards is likely to be all the stronger where the support for employers in servicing an industry award is much less

As the apprenticeship and traineeship systems in Australia have been closely tied to broad multi employer industry and occupational awards for over 100 years, what effect is the move to enterprise bargaining likely to have? As the basis on which the apprentice or trainee has been employed, the decline of employer adherence to occupational awards will result in the ultimate demise of this training system as it has operated in the past?

### **Award coverage and union strength**

The continued maintenance of broadly-based awards in their current form depends on union bargaining power. A measure of union bargaining strength is derived from Buchanan 1992 which identifies the gap between

award coverage and the proportion of the workforce unionised in that industry. The broad occupationally awards can thus be classified into those with high or low union membership.

A key determinant of the future of occupational labour markets is the relative bargaining strength of the unions to be able to maintain the minimum standard conditions that they represent. As noted in chapter one, occupational labour markets are fragile and depend on strong institutional backing to remain in force. As the demand for standardised skills is lessens and more focus is placed by employers on negotiating closer to the workplace, only those unions with a strong industry focus and capacity for workplace negotiations will be able to retain the support of their members. The following table presents data on the relative bargaining power of unions for broad industry sectors as measured in terms of the gap between award coverage and the proportion of the workforce that are unionised in that industry

Table 5.2 Relative Union Bargaining Power In Rank Order	
Rank Order	Percentage of Gap Between Award and Coverage Union Membership
Mining	11.1
Electricity	19.2
Communications	24.4
Transport & Storage	25.6
Construction	26.7
Public Administration	37.9
Manufacturing	34.1
Community Services	40.4
Finance Services	39.1
Recreation & Personal Services	50.9
Wholesale & Retail Trade	49.0
Agriculture	---

It is also important to note that the sectors where union bargaining power is weakest are also sectors where the proportion of full time permanent workforce is low. Non full-time permanent employees are more difficult to organise to become union members. This is particularly the case with Recreation, Personal and other services, Retail Trade, Community Services.

### **The fragility of occupational labour markets**

Occupational labour markets are far from being examples of robust competitive labour markets operating on the principle of supply and demand. They are better regarded as fragile constructs with an inherent tendency to breakdown and thus requiring substantial institutional regulation to survive (Marsden 1986:231-233). This institutional support comes from multi employer agreements where the unions are able to impose a common approach to training new entrants. Other institutional support derives from the legislative provision of declared vocations, the conditions imposed by government on employers who receive subsidies and incentives for apprentices and trainees and the free provision of off-the-



job training. All of this institutional underpinning is, however, conditional on agreement between employers, unions and government that existing arrangements are effective. The continuation of industry-level industrial relations arrangements such as apprenticeship and traineeships cannot be assumed simply because of custom and practice. Future arrangements need to be based on a clear understanding by the parties that the arrangements are to their mutual benefit. This is likely to require a process of negotiation and review so that the arrangements are seen to be meeting the current and future needs of the parties to the agreement.

## **Reasons For The Collapse Of The UK Apprenticeship System**

In Britain, the apprenticeship system was not regulated by the state but was supported from the late nineteenth century onwards by multi employer collective bargaining arrangements which ensured union monitoring and the codification of rules governing apprenticeship (Gospel 1992:5).

From the mid 1960s onwards, apprenticeship training came under increasing criticism for being based on:

- \* time serving rather than training to standards
- \* narrow in focus and not suited to the needs of industry
- \* perpetuated demarcations between trades
- \* exclusive in nature because it was restricted to young male workers in certain occupations.

A series of reforms were initiated in the form of government regulation and a levy system (Gospel 1992:6).

However, with rising unemployment from the mid-1970s onwards, other training schemes were introduced by government where young persons were not employees but trainees with a government allowance. In the 1980s it was made compulsory for young unemployed people to accept places. This form of training provided many employers with a cheaper alternative to apprenticeship training (Marsden and Ryan 1991:271).

The Thatcher Government repealed the Industry Training Act 1964 and abolished Industry Training Boards and the levy system and initiated an employer led training system (Gospel 1972:7). But the single largest factor in the deterioration of the apprenticeship is probably the demise of multi employer collective bargaining which had underpinned the system of the entry training into OLMs since the late nineteenth century (Brown and Zappala 1993:68).

Multi employer bargaining, in turn, depends on the capacity of the unions to organise their members and to respond to the new demands being made on their members in the workplace. As well as a hostile legislative framework, British unions have been slow to respond to change. The result has been a widespread shift by employers to develop internal labour markets focused on the enterprise (Marsden 1992).

A further explanation given by Marsden and Ryan (1991) for the demise of the apprenticeship system in the UK compared with Germany is the high cost associated with maintaining a high quality, employment-based training system. Their analysis is discussed at length in the final chapter.

## **Conclusion**

The extent to which the move to negotiations closer to the workplace will undermine occupationally based awards will depend on several factors. The preference of employers to maintain broad industry

arrangements regulating wages and conditions when given other options will be influenced by how they perceive the benefits from this arrangement. The desire to minimise competition over wages and to limit poaching by spreading training costs through the apprenticeship system is likely to appeal to small employers not engaged in export markets. However, where the quality of training is of major concern to employers and there is a need for continuing skills upgrading, negotiations focused on the enterprise are likely to have more appeal.

Another factor which is likely to influence the continued existence of occupational awards is the proposed floor of minimum wages and conditions in the form of a "safety net". Whether awards can survive as safety nets will depend on the extent to which employers will attempt to circumvent these "standard" conditions of employment. This in turn will depend on whether high levels of productivity can be attained on a continuing basis without having to lower wages and conditions. High productivity gains come from investment in up-to-date plant and equipment as well as investment in R&D. Also required is continuous incremental improvement from the workforce through skills upgrading and the adoption of new forms of work organisation. It is likely that only a small proportion of the better managed workplaces will be able to make significant productivity gains in this way (Curtain 1992).

The Commonwealth Government's legislated requirement for workplace agreements to meet a "no disadvantage test" ensures that agreements do not reduce the total package of an employee's award wages and conditions. This requirement will be successful in gaining employer acceptance only if sufficient workforce productivity improvement can be achieved through capital investment and export growth within the constraints of these awards on the employment relationship.

The recent survey of MTIA members suggests that a significant minority, especially small employers, will be happy to continue to abide by an industry award with over-award payments but that a majority of the employers surveyed prefer enterprise bargaining or individual employment agreements. If this is the trend in an industry that is well served by a high profile employer association, the move away by employers from broad occupation awards that are poorly served by other employer associations will be all the more marked.

The apprenticeship system is an appendage of an occupationally-based award. The future of the apprenticeship system, therefore, depends on the continued existence of these broadly based awards and supporting institutional arrangements. On the basis of evidence from the UK and New Zealand, the pressures will be substantial to move away from what are seen by many Australian employers as inflexible and inappropriate arrangements for supplying needed skills.

As an alternative to entry training based on occupational awards, enterprises will develop training arrangements which more closely reflect their own needs. Unions are likely to resist this tendency by continuing to support generic training and will seek to have government assistance to employers for entry level training maintained only for this purpose. The move to enterprise bargaining will contribute to pressures to dismantle generic entry level training but in itself may not be conclusive if the industrial parties and government accept the need to treat skill formation as a "public good", involving new, more effective and responsive, coordinated arrangements beyond the enterprise. This issue is

addressed in the next chapter.

## THE CONTRACTION OF MULTI EMPLOYER COLLECTIVE BARGAINING IN UK AND NZ

The UK evidence shows a clear move away from multi employer collective bargaining at an industry or regional level, well before the impact of the deregulation of the labour market under Margaret Thatcher (Brown and Zappala 1993:57). Some 60 per cent of the workforce in 1950 covered by industry or regional multi employer agreements has dropped to only 10 per cent in 1990. Even by 1980 it had halved.

### Private Sector Bargaining Structure In Britain 1950 - 1990 Percentage of Private Sector Employees Covered (Manufacturing And Services)

Extent and Nature Of Collective Bargaining (cb)	1950	1960	1970	1980	1984	1990
Pay not fixed by cb	20	25	30	30	40	50
pay fixed by cb	80	75	70	70	60	50
cb is multi employer (industry, regional etc)	60	45	35	30	20	10
cb is single-employer (company, factory etc)	20	30	35	40	40	40

Source: Brown and Zappala (1993:57)

### The impact of recent legislative changes in New Zealand

In New Zealand, two years after the introduction of the Employment Contracts Act, has similarly dramatically reduced the proportion of the workforce covered by collective bargaining. Just 40 per cent of those workers formerly covered by an award under the old system are now covered by a collective contract. Multi-employer bargaining has largely collapsed. As the leading academic analyst of the impact of the new legislation reported recently:

In a nation where multi employer bargaining has been the norm for nearly 100 years, where all but 6 per cent of the unionised private sector workforce were covered by a multi-employer bargain, we can now report that we can identify just 30 multi employer contracts (2 per cent of all collective contracts) covering some 44,000 workers ... (Harbridge 1993:2)

Other data from the NZ Department of Labour dated July 1993 indicates that 25 multi employer contracts have been lodged with the Department, covering 59,000 employees or 4 per cent of the total employed labour force. This compares with the 59 per cent of employees covered by multi employer collective contracts in May 1991 and the 8 per cent covered in August 1992 (NZ Dept of Labour 1993:2).

## **Attachment 5.2**

### **THE DECLINE OF THE APPRENTICESHIP SYSTEM IN NEW ZEALAND AND THE IMPLEMENTATION OF A NEW INDUSTRIAL TRAINING SYSTEM**

The apprenticeship Act has been repealed in New Zealand following the recent enactment of the Industry Training Act, 1992 and the Government is in the process of establishing a completely new industry training system to be implemented over a three year period. (More details below. Apprenticeships are now the responsibility of the Industry Training Organisations (ITOs) established under the Act.

The number of apprentices in New Zealand had always been relatively limited because of the narrow, prescribed and exclusive nature of the system. With the prolonged economic downturn, long-term structural changes within employment (fewer job in manufacturing and the occupations covered by apprenticeship arrangements in particular), the numbers of apprentices had declined markedly. Large enterprises in forestry, post, railways, electricity production have been corporatised and taken out of the state sector. All these enterprises had cadetship and apprenticeship programs that have largely disappeared (El fin 1993).

By 1991, the number of New Zealanders in apprenticeships had fallen to about 18,000 with the intake of new apprentices had dropped to below 5,000 and the number of certified tradespersons completing required programs to only about half that number (OECD 1993:98). By 1993, the number of apprentices had dropped to 14,000 compared with 26,000 in 1988. In some trades, apprenticeships had declined to one-third of pre 1986 levels (Kearns et al 1993:42-3).

The apprenticeship system is said to have suffered from being heavily regulated and inflexible, in many cases based on a time-served, narrow trade focus rather than broadly-based competency attainment (OECD 1993:98). Apprenticeship training was poorly linked with other forms of training. These deficiencies were made all the more evident in the light of recent industrial changes which abolished awards, necessitating a complete reappraisal of work-based industry training arrangements.

The New Zealand Council of Trade Unions has acknowledged the criticisms made of the inflexibility and cost of administration of the apprenticeship system and the fact the numbers in training were vulnerable to economic conditions. However, they also emphasise its advantages including:

- . recognised national qualifications
- . contract of training
- . portable industry designed skills
- . integration of practical & theoretical training
- . cost effective training
- . considerable industry support

The New Zealand Congress of Trade Unions claims that the premature collapse of the system has been aided by uncertainty on the part of employers and prospective apprentices as to the future. The Employers Federation have expressed the view that the apprenticeship concept should be broadened to an entry-level traineeship offering much greater range of training mechanisms (El kin 1993).

Another indicator of the declined of work-based training is the increasing

tendency for young trainees wishing to undertake the prestigious New Zealand Engineering Certificate to do so in full time front-end Polytechnic courses rather than part time work/part-time study. This tendency is said to be due to the problem these trainees have in finding employment for the work component (Kearns et al 1993:43).

The new Industry Training Act, was enacted in July 1992 to implement a new industry training system over three years, after which it is to be reviewed. The aim of the new system is to provide a wide coverage of industries and skills. The new system is to be industry-led by establishing Industry Training Organisations (ITOs). The Act defines "industry" as "two or more enterprises" (Kearns et al 1993:41). The intention is to encourage employers to form themselves into active self-defining groups rather than joining a bureaucratically pre determined cluster. The Education and Training Support Agency (ESTA) is responsible for consulting with a variety of affected interests as part of the vet the process of approving an ITO. This consultation process appears to emphasise the need to build a coalition of interests. The Industry Training Act requires also that ITOs have certain capabilities and resources (Kearns et al 1993:42).

The role of ITOs is not to be a training provider but rather to act as supervising agencies. The Education and Training Support Agency will be responsible for the allocation of government funds to ITOs which will disburse them to training providers on a contract basis for the purchase of off-the-job training. The \$22 million contestable fund is intended to be substantially supplemented by industry. The aim is to enable ITOs to intervene actively in the educational services market and to use their purchasing power to encourage training providers to deliver flexible, industry-relevant programs on an efficient and cost-effective basis (Kearns et al 1993:42).

Various industries are said to have already shown interest in the formation of an ITO and the development of new systematic training arrangements leading national qualifications (OECD 1993:110). The government will also purchase additional training places from industry via ETSA under a new Youth Traineeship Program. A new national qualifications framework, to be introduced over three years from 1993 is also part of the reform process. It is competency-based on units of learning, through eight levels, with achievement assessed according to clearly defined standards. A key feature of the new system is the National Certificate, based on achievement in units of learning which can be acquired at senior secondary school or through approved courses operated by other private or public educational and training providers. The system will provide for a high degree of flexibility: students will be able to combine learning units across various qualifications gained in different places; they will move at their own pace through modular sequences. The aim is to make it possible to combine part-time employment with formal schooling, to replace the apprenticeship system (OECD 1993:108).

## CHAPTER SIX      **SKILL FORMATION AS A COLLECTIVE GOOD: RATIONALE AND OPTIONS**

This, the final chapter, analyses the case for treating skill formation as a collective good or public benefit, above and beyond the needs, resources and inclinations of individual employers. In the light of the conclusion drawn, several options for meeting the target of the Carmichael Report are discussed. The goal of the AVC training system is to provide sufficient places to enable all young people up to the age of 20 years to attain at least Australian Standards Framework Level 2 by 1998. The analysis presented in this report strongly suggests that this target will be extremely difficult to meet if work based training arrangements continue the existing division between employment related issues and training provision.

Other evidence presented in the report indicates that the longer term impact of enterprise bargaining will be undermine the occupation based awards and with them the apprenticeship system. Many employers are likely to turn to enterprise focused training to provide the skills which have been supplied in the past by industry wide regulated training. This retreat from the collective arrangements for vocational training in industry will result in the under provision of skills in the longer term, producing a more inefficient and more costly outcome. There is, therefore, a need in the face of the decentralisation of industrial relations, to argue the importance of continuing arrangements, in a reconstituted form, that facilitate the collective provision of training.

### **Skill formation as a public good**

Skill formation can be either focused entirely on the enterprise in the form of job specific training or it can be the product of a broader vocational training system that emphasises the development of the all round capabilities of workers through either apprenticeships or institutional courses. In enterprise focused skill formation, workers are usually trained for the jobs they are required to perform in the immediate future. This option, especially if delivered through on-the-job training, is relatively inexpensive to implement, making few demands on the trainer and trainee alike. However it leaves the worker less adaptable and less able to move between jobs within and between firms in times of industrial restructuring (Standing 1991:43). It is also regarded as a mode of skills acquisition that not equipped to provide the broader skill flexibility needed in the modern workplace to optimise the use of new technology, respond to shorter product cycles and to work together in teams (Piore and Sabel 1984, Streeck 1987).

The enterprise focussed and highly localised approach to vocational training is seen as a major deficiency in the US skill formation process:

A salient feature of the US system is the absence of a comprehensive national strategy toward training by the federal government, industry and labour representatives. Historically, for example, the governments training efforts have largely been directed toward specific groups in the population, the



disadvantaged in the labour market. The absence of an overall government strategy toward training combines with the relative decentralisation of industrial relations in the limited states to create a system whose prime feature is that human capital investment decisions are in most instances made at the lowest level possible, the individual employee or the individual firm (Campbell 1990:5).

The US Congress has recently publicly acknowledged in legislation the "... failure of United States education and training systems" which have "resulted in shortages of skilled workers and an excess of unskilled, hard-to-employ individuals" and has proposed a new vocational training system based on

"broad based competencies and transferable skills that facilitate career progression within industries or trades in which the student is trained and employed" (US Congress National School-to-Work Transition and Youth Apprenticeship Act of 1993 :25).

The reasons for treating skill formation not merely as an enterprise responsibility but as a collective good are put well by the preamble to the new legislation currently before the US Congress to establish a system of national skills standards and a National Skill Standards Board to oversee the process (The National Skills Standards Act of 1993).

The stated purpose of the Act is

to establish a National Board to serve as a catalyst in stimulating the development and adoption of a voluntary system of skill standards and of assessment and certification that will serve as a cornerstone of the national strategy to enhance workforce skills ... (Section 502, Draft National Skills Standards Board Title V, US Congress 1993).

The legislation is prefaced with a list of public benefits that will flow to the nation, industry, employers, unions, individual workers, students and entry-level workers, training providers, educators and government as a training provider and funder of labour market programs. The national strategy to enhance workforce skills will be used, according to the preamble to the legislation, to:

- . develop nationally a high quality, high performance workforce
- . enable industries to inform training providers and prospective employees of skills necessary for employment
- . assist employers in evaluating the skill levels of prospective employees and to assist in the training of current employees
- . enhance greater security of employment by providing portable credentials and skills

- . enable workers to obtain certification of their skills to protect against job loss; to pursue career advancement and to enhance their ability to re-enter the workforce
- . enable students and entry-level workers to determine skill levels and competencies needed to be obtained in order to compete effectively for high wage jobs
- . enable training providers and educators to determine appropriate training services to be offered by the providers and educators
- . enable government to evaluate whether publicly funded training assets participants to meet skill standards
- . enable government to facilitate linkages between school-to-work transition and job training programs (Section 502, Draft National Skills Standards Board Title V).

In the UK and New Zealand, despite government policy to promote decentralised industrial relations systems focused on the enterprise and the individual employment relationship between employer and employee, there is nevertheless the recognition of the need for different arrangements for vocational training. Considerable effort has been made by government in these countries encourage the coordination of industry level entry-level training. The British and New Zealand governments respectively have promoted the development of employer-led Training and Employment Councils (TECs) and Industry Training Organisations (ITOs). In the British case, the government in 1982 abolished 16 Industry Training Boards in favour of more sectoral specific TECs, claiming that the voluntary commitment of employers would yield better and more cost effective results (Senker 1992:170). More recently, the UK Government has established a national framework for identifying and certifying workforce skills (National Vocational Qualifications NVQ).

In the New Zealand case, the intention of the new training reforms being implemented alongside the radical decentralisation of bargaining to the enterprise and individual levels is to foster not an enterprise but an industry-based training strategy. Among other objectives, the new strategy aims to provide greater opportunities for young people entering the workforce by extending "systematic training to a much wider range of industries than those covered by the traditional apprenticeship arrangements" (Background Information: Industry Training Bill 1992, New Zealand).

### **The benefits of treating skill formation as a collective good**

Germany and Japan have been successful in two very different systems of national skill formation in promoting the value for industry of regarding workforce skills as a long-term investment. The long-term approach to investment as well as to skill formation requires a high trust environment (Marsden 1992:29). Germany and Japan have been successful

in doing this through a close cooperative relationship between the financial system and industry (Porter 1992). One result has been the capacity to invest in workforce skills training well beyond the immediate needs of individual enterprises. The German system of vocational training because of its focus on "training for future job"(or future career) makes much of "training for stock" when demand conditions in the economy would otherwise point to a contraction in training. This is seen by government, employers and unions as not merely a good counter cyclical strategy but is based on a more profound recognition of the value of imparting and receiving training leading to nationally recognised skills (Lindley 1991:199).

In sharp contrast, the english speaking industrial economies have focused on the short-term in investment decisions, where each financial institution or enterprise has pursued their own perceived rational self interest, producing an overall sub-optimal outcome compared to Germany and Japan . The short term horizons of capital markets in the Anglo American economies affects internal enterprise decisions about the value of investment in non physical assets such as training and R&D. This is because of the difficulties of measuring the return on investment in these areas compared to the ease of doing so for physical assets (Porter 1992)

### **The effect of perennial skill shortages**

As the interests of individual employers may be focused on short term returns, there is a potential conflict with the longer term interests of the industry, community and the economy as a whole. This can result in some employers seeking to avoid the costs of skills training by poaching from those employers who have provided training for their employees. The result is often substantial skill shortages because employers compete with each other to attract employees with the skills-in-demand. The effect of this competition is to discourage the employers who previously provided training to do so in the future. Although individual employers are pursuing their own self interest, the result is overall insufficient training to provide the skills needs of industry.

Skills shortages have the effect of increasing the bargaining power of skilled workers, making it harder to negotiate changes to work practices to make better use of available skills. Skills shortages may also encourage employers to fall back on a small well paid core workforce and turning to subcontractors for specific work, resulting in difficulties in integrating the two groups of workers and a sub-optimal outcome. Fear of poaching causes employers to adopt short term solutions to meeting their skill requirements which are "second best". These solutions include relying on unsystematic on-the-job training to minimise their investment in case the employee leaves. It can also involve resort to the use of subcontractors as a means of economising on skill needs as well as cheap forms of labour such as recently graduated engineers or partly trained students on work placements (Lam and Marsden 1992:60).

Resort to the use of subcontractors may also diminish the range of skills

available within any one organisation. This in turn means manufacturing firms, for example, may restrict their use of technology to relatively simple processes with little training required. Reduced skills in the core workforce makes it more unlikely that firms can participate in new technical developments in either product markets or production methods (Lamand Marsden 1992:59).

The key to overcoming the obstacles to a high skills strategy based on the German experience is to develop institutional mechanisms that allow the players to cooperate and share information (Finegold 1991:106). Trust or mutual confidence based on familiarity with the other parties goals is a necessary prerequisite for developing a consensus about the long term benefits from taking a coordinated approach to entry-level training. This needs to be promoted by groupings of employers and unions where they meet each other frequently and know each other in a consensus building rather than conflict prone atmosphere (Marsden 1992). In some cases the institutional arrangement may be formal, like the introduction of a training levy that is used to discourage free riders and to lift expenditure on transferable skills. In other circumstances, cooperative links can be established through the creation of a consortium of several companies to group training services (Finegold 1991:106).

Close union and works council involvement in apprentice training in Germany have helped to make low apprentice allowances acceptable to adult workers, thus reducing the cost of this form of training to employers. Peer group pressure among German employers have also helped to avoid skill shortages and to curtail poaching (Lam and Marsden 1992:61).

... overall, a considerable amount of collective regulation from both the workers' and the employers' side has helped to maintain the viability of apprenticeship training in Germany (Lam and Marsden 1992: 61)

Employer associations and unions need to shift from seeking to exploit each others short-term weaknesses to a willingness to cooperate to realise common collective interests (Elam 1993:27). As Elam (1992:32) notes, promoting successfully the widespread perception of skills formation as a public good among employers and workers is not easy to achieve. In a more transparent system of national recognised skills, there will always be the fear by employers of poaching. There are also the fears of the workforce that forsaking their job control through maintaining demarcations will not lead to greater employment security but increased vulnerability to job loss instead. The acceptance of skill formation as a national strategy requires continuous justification of the benefits.

### **Choice of approach to the collective provision of skills training**

Based on the European and Japanese experience, three scenarios for the future of post school, structured entry-level vocational training

arrangements can be identified. These are the:

- **expansion of employee-based training arrangements based on the variant of the traditional UK apprenticeship model based on full-time employment with wages similar to the wages of junior workers.**
- **expansion of institution-based vocational education and training education with integrated work placements, the basis of entry level training arrangements in Sweden, France and Italy.**
- **development of a work-based approach to structured entry-level training on the German apprenticeship model where the participant is not an employee on wages but a trainee/student who is paid an allowance or stipend which reflects the quality of training received and the cost to the employer.**

### **The limitations of the existing apprenticeship system**

The major weaknesses of the current model of apprenticeship training in place in Australia are:

its continued age and gender exclusive and inflexible nature

its vulnerability due to its reliance on broadly based occupational awards that will become less relevant with the spread of forms of bargaining closer to the workplace

the limited number of places it can provide because it is tied to the limited prospects for employment growth

the dominance of the employment relationship over training considerations resulting in many cases in poor quality training.

The survey evidence reported in Chapter Two and ABS data in Chapter Five show clearly that apprenticeships in practice are still restricted in their application in terms of age, gender and to traditional occupations. Workforce occupational consciousness, in the absence of a change by employers in their widespread use of retrenchments, is likely to continue to assert itself in the form of craft demarcation. The apprenticeship system has acted as a protective mechanism used by unions and employers in industries such as building and construction to preserve a minimum level of skills training in the face of an extensive reliance on temporary employees and subcontractors.

Chapter Five showed that the apprenticeship system is still closely linked to broadly-based occupational awards and the vulnerability of this traditional foundations in the face of a move on the part of many, especially large employers to more industry or enterprise-focused industrial relations.

The second major limitation of the employee-based approach to providing structured entry-level training is the difficulty of finding enough places to provide for anything more than a minority of school leavers. The number of places available under a employee-based entry-level training is highly dependent on prevailing economic conditions in the labour market. The wide fluctuations in commencements, notwithstanding the substantial subsidies provided to employers in the recession, was demonstrated in Chapter Five. The forecasts for the next decade suggest low employment growth as reflected in the increasingly used concept of "jobless growth". This refers to the phenomenon of increasing profits with any growth in employment among medium and large employers.<sup>3</sup> The result is likely to be among the larger firms continuing workforce reductions, little recruitment and an increasing reliance on a small core workforce to operate more sophisticated technology.

The third major limitation of existing apprenticeship arrangements is the dominance that the employment relationship has had over the quality of training provided. OFFJT was limited to one day or the equivalent and was poorly integrated into skills acquisition in the workplace. There were no prescribed competencies to be attained on-the-job and the employer was not required to have provide supervision based on recognised qualifications in the relevant skills or to have training as a trainer. A recent report on skill formation in the construction industry has criticised the quality of training provided on-the-job through apprentice-based training (Hayton and Guthrie 1993).

The ATS Traineeship system is first and foremost an employment relationship and like the apprenticeship system, there has been little attention paid to the quality of training provided by the employer. The major deficiency of the ATS as a training system has been the tendency of participants and employers to see a traineeship as a route to or probationary period for a continuing job with the host employer. Its main focus, in many cases, has not been to provide longer term entry-level training by serving as a foundation for further training and acquisition of qualifications. The widely different range of benefits from access to good jobs to the provision of quality training that provides the basis for further skills acquisition needs to be explicitly acknowledged in the training agreement that both trainee and employer enter into.

The major advantage of an employee based training program is the high degree of relevance to workplace requirements of the skills imparted from the point of view of the employer. However, the public good benefits may be limited or non-existent if this training is of low standard,

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<sup>3</sup> A survey conducted by the Australian Financial Review showed a 98 per cent rise in profits of 500 listed companies based on a sales rise of only 4.5 per cent. The results also showed that the higher profits were not necessarily being used to discharge debt as interest payments had increased by 4.2 per cent. At the same time the cost of depreciation had increased by 9.2 per cent, suggesting substantial equipment upgrading (AFR: 21 August 1993, p).

imparting only low level skills. More recently, there have been considerable efforts made to lift the quality of training. Despite these considerable efforts, however, the survey results presented in chapter two indicate that much work still needs to be done in developing training modules to meet the requirements of the standards, now said by the National Training Board to be covering some two million workers. Also according to the survey results, little work has been done in any industry with the exception of Tourism and Hospitality on putting in place agreed procedures for assessing competency in the workplace.

### **The alternatives**

What are the alternatives to an employee-based system of vocational training? One option is to follow the US/Swedish/Japanese model of broad-based institution-based education & vocational training followed by enterprise-centred training. The US represents the most extreme form of this approach with a broadly-based general education system creating large-scale school-to-work transition problems, resulting in high levels of youth unemployment. In response to this major weakness in their education-to-work transition, the Clinton administration has recently introduced bills to provide for the development of national industry-recognised skill standards and to institute youth apprenticeship demonstration programs as referred to above.

Sweden has provided considerable resources to schools to provide vocational education and has a tradition of substantial government intervention in the labour market to minimise the friction in the school-to-work transition. All vacancies in Sweden have to be notified to the public employment service and considerable assistance in the form of individual counselling is provided to help the job seekers find appropriate work.

A new upper Secondary School system has recently been established with fourteen vocationally based programs and two programs for entry to higher education. The intention of the vocationally based programs is to give basic training prior to occupational training. The new system will provide broader knowledge and deeper insight than that available through school based vocational training in the past.

Japan's system of education includes a vocational stream which accounts for about 28% of high school graduates (Curtain 1993b). Enterprise-specific training arrangements are being increasingly complimented by resort to a national system of skill tests to help set benchmark standards (Curtain 1993b). It is also inaccurate to view a Japanese enterprise as standing on its own without involvement in industry-level arrangements. The extensive use of networks of suppliers and the widespread practice of transferring skilled workers from large to small firms for extended periods demonstrates the extensive use Japan firms make of enterprise groupings (Curtain 1993a).

An institution-based vocational training program has the advantage of potentially offering more training places to people seeking skills

relevant to the workplace and enabling more people to receive training, especially during an economic downturn. The limitations of this mode of training are the difficulty of gaining access to:

up-to-date technology and

suitable learning environment based on working conditions where the student is engaged in productive work under good supervision.

There are also considerable cost implications for government.

### **Work-based vocational training as trainee/student**

The third broad option is to treat the participant in entry-level training as not as an employee or student but as a trainee is expected to undertake productive work but is not paid a wage. The advantage of this arrangement is that it is much easier to produce a "high quality, high output" training system because the training costs are lower. The unions, however, are most likely to reject this option because it is likely to be seen as contrary to their well established principle of equal pay for equal work

Another major concern on the part of the unions will be fear of widespread substitution of trainees for adult workers.

This arrangement, therefore, will only work, as in Germany, if there is a clear separation of training arrangements from employment and there is effective institutional restraint to control job substitution by employers. In Germany, training agreements provide such safeguards either because of employer respect for skill training or because of external regulation by some mixture of government, employer associations and trade unions (Marsden and Ryan 1991:256). The unions in Germany accept lower incomes for trainees because of their confidence in the training arrangements being able to deliver high quality skills training.

Low apprentice allowances encourage employers to provide training places. Guarantees of training quality in turn induce unions to accept low incomes for young workers to a degree rarely found elsewhere (in the economy), particularly outside apprenticeship. At the same time employers have responded to wider social and educational goals, in terms of the content of training and the intake of apprentices. The result is a "low pay, high quality, high volume" training system (Marsden and Ryan 1991:260).

Another means of offsetting the costs to employers of a high quality training system is for the government to heavily subsidise employers for taking trainees. The UK Youth Training Scheme (YTS) started in 1983 was modelled on the German apprenticeship system in that it was work-based and most trainees were paid an allowance but, unlike Germany, the UK government paid the allowances of all but 9 per cent of YTS trainees



who were in employment. The major deficiency in this program has been the heavy reliance on government and administrative controls to deliver and monitor quality and the failure to live up to its high standards. Without a suitable supporting institutional framework, the YTS there has been a strong tendency for the YTS to develop into a "low pay, low quality, high volume" training system (Marsden and Ryan 1991:271, see also Lee, Marsden, Rickman and Duncombe 1990).

## **Conclusion**

The option that this chapter has explored is for a student to spend a greater length of time in a vocational placement as a trainee under a training contract. This is an option best suited to where the recipient of the training stands to gain a considerable economic benefit from having an extended access to the range of learning opportunities that only a workplace can offer. At the same time, there are likely to be considerable costs as well as benefits for employers who provide the opportunity for a work placement. The training contract, as outlined in the following chapter, should reflect the costs and benefits to the parties involved.

This leaves institution-based vocational training as the most likely option suitable for large scale entry-level training for new entrants (or re-entrants) to the labour market. The major shortcoming of this approach to vocational training is the lack of practical experience that it entails. The AVC system is premised on at least three months vocational placement in a workplace. At present, it is only possible to undertake this placement as a student for up to 240 hours in a calendar year, half of this period. According to the interim industrial relations principles for the AVCTS pilots, there is scope for extending this period if there is a clear need for an extended period by reference to the educational curriculum. Any proposals for extension will be considered by the industrial parties on a case by case basis.

It is important also that the trainee be engaged in productive work to enable the person to be a part of the work team. The payment of an allowance by the employer or the government would, therefore, enable a longer period of work experience to be undertaken. These arrangements require an element of trust between employers and unions/government but backed by appropriate monitoring to ensure that the student is not exploited by the employer and that there is no displacement of an existing employee. Where these assurances cannot be given and maintained, use of a more traditional apprenticeship or traineeship model which places employment first with appropriate legal safeguards should be considered.

The major flaw in the existing apprenticeship system, highlighted in this report, is the rigid division between the mechanisms for resolving training issues and the mechanisms for resolving issues related to employment. This is appropriate in those situations where youth exploitation is likely but its narrow, protective orientation severely restricts the development of more flexible arrangements where the risk of youth

exploitation is slight because of the commitment of the parties to a system of high quality skills training. A framework for negotiating different entry level training arrangements is the subject of the final chapter.

## CHAPTER SEVEN ESTABLISHING A NEW LINK BETWEEN EMPLOYMENT AND ENTRY-LEVEL TRAINING

### Limitations of the existing system

At present, the different elements of regulated training are usually separately administered with a "chinese wall" between the people involved in each of the elements. This separation is also often accompanied by the strict division of labour among trainers and those employer and union representatives on industry training advisory bodies as to what is a "training matter" and what is seen as an "industrial relations issue".

Three elements of regulated entry-level training can be identified. These are:

- academic instruction
- work based learning
- employment

The first element refers to the content of the prescribed course of studies to be undertaken in off-the-job training. In Australia this was traditionally provided through TAFE but there was no requirement to demonstrate the achievement of competency, merely to have completed the course of study. This has changed with a greater focus on competency based training, particularly since the introduction of the ATS. The competency standards framework makes it easier for a variety of training providers, including enterprises themselves, to supply the formal instruction.

There was also little communication between the training providers and the employers of apprentices and trainees nor was it expected.

The second element refers to the acquisition of skills through on-the-job training. This was in the past a highly variable process, depending on the range of work available in the workplace, the skills and ability to train of the tradesperson providing the on-the-job instruction and the quality of the working environment. The employer of the apprentice or trainee was merely required to "take all reasonable steps to cause the apprentice to be instructed in the skills of the declared trade ... and provide all necessary facilities to ensure that the apprentice receives appropriate practical training in that trade.." (NSW Industrial and Commercial Training Act 1989 Section 36). No profile of competencies was provided to the employer or on-the-job instructor nor was there any integration of training on-the-job with the off-the-job course of studies. A contract of training or training agreement specifying the course of studies and the obligations of both parties was provided for in specific state legislation.

The third element of the apprenticeship and traineeship which underpins the whole arrangement is the employment relationship. This is determined not by the contract of training but by the relevant award

provisions covering pay rates for each year of the apprenticeship, and other conditions of employment such as restrictions on overtime unless directly related to training. As the apprenticeship and traineeships are first and foremost based on the apprentice/trainee's status as an employee, the award provisions take precedence over other legislation. The employer's right to hire and fire is modified by the training contract to the extent that an apprentice's employment cannot be terminated for other than wilful misconduct without reference to the designated authority under the state training legislation.

The negotiation of wages and conditions of employment have been traditionally handled separately from the agencies concerned with training issues. The main parties responsible for negotiating the award provisions relating to apprentices and trainees are employer associations and unions through the industrial tribunals. In a small number of instances, apprenticeships are actually managed by the industry parties themselves in conjunction with the Industrial Registrar's office of the Australian Industrial Relations Commission. This is, for example, the case with the Printing apprenticeship under the Graphic Arts Award.

### **Implications for the AVC training system**

The proposed AVC training system will address many of the shortcomings identified above. Competency based training, in particular, will provide the basis for linking on and off-the-job training. Nevertheless, considerable work has yet to be done on developing appropriate assessment procedures for the workplace together with the role of the workplace supervisor and mentor, as the survey results reported in Chapter Two made clear. This issue is, no doubt, being addressed in the AVC pilots.

The AVC pilots, however, on the basis of the available information on wage arrangements, show little sign of breaking down the traditional divide between award provisions and training matters. The Career Start Traineeship model been developed prior to and separately from the piloting process. It is a formula for regulating employment conditions without permitting allowances to be made for different types and quality of training provision. There is little indication in the AVC piloting process that innovative employment arrangements are being trialled which reflect the outcome of direct negotiations between those directly involved in proposing of the new training arrangements. One exception is the South Australian Wine Industry AVC Training Agreement between the Wine and Brandy Producers Association and The Australian Liquor, Hospitality and Miscellaneous Workers Union in South Australia.

It is this separation of employment issues from questions of training provision that constitutes a fundamental flaw in existing employment based training arrangements in Australia. There are strong indications that this rigid demarcation is shaping and limiting the degree of experimentation that could be taking place through the AVC piloting process. Unless the account is taken of the value of the type of training offered and the costs to the employer of providing good quality training,

the number of employment based training places available under the AVC system is likely to be limited, putting pressure on institution based vocational education and training to make up the shortfall.

### **The high cost of a competency-based apprenticeship/traineeship**

The factors which will undermine the apprenticeship system as it has operated in Australia to date are:

- . competency-based training and the end of time-served criterion for recognising the attainment of skills
- . international best practice pressures to lift the quality of skills in the workplace
- . reduction in the number of employees to form a small, lean, core workforce.

Major pressures on the apprenticeship system will come with the introduction of competency-based training. This requires a change from recognising the attainment of skill on a time-served basis to recognition on the basis of demonstrated competency. The standardised four year period of the past will go in favour of periods in training more suited to how long it actually takes to acquire and demonstrate competency in the workplace. Time-served has been an integral part of the operation of the apprenticeship, especially from the employers' perspective.

The effect of moving away from a fixed duration for the contract of employment/training will be seen by many employers as lifting the cost of employing an apprentice. Small employers in particular see themselves as having to carry the trainee while they are unproductive without the chance to recoup this cost once their productivity improves. This issue of getting a return on investment needs to be explicitly addressed in setting wages or a stipend and the basis on which increases are granted.

### **Training Quality**

In the absence of efforts to lift the quality of training, work-based training arrangements, in the terms of the standards of the leading industrialised countries, are increasingly going to be seen as a means of imparting second rate skills. The establishment of national standards of competency is, however, likely to put considerable pressure on many small and medium size employers to lift the quality of the training they are asked to provide. Small employers, in particular, invest very little in formal training and generally display the absence of a training culture. It is just these employers who are the largest employers of apprentices.

The pressure from international best practice will be to lift the quality of on-the-job training by providing better supervision and more job

rotation. Similarly, there will be pressure to allow more time for off-the-job training from one to two days or extended periods of block release. The response of many small and medium size employers is likely to be to take on fewer and fewer employees under these conditions. The greater the emphasis there is on lifting the quality of training through, for example, the closer integration of off-the-job and on-the-job training and a more demanding role for the employer as supervisor, the more likely is there to be a reluctance by employers to take on employees under these conditions because of the extra resources needed and the loss of productive work time.

On the other hand, if efforts are made to improve the quality of training by extending the time spent in the classroom or providing more systematic on-the-job training, many employers are unlikely to see that the benefits will outweigh the costs. This is especially the case if the employee can move to the wage rate of a fully trained worker once the range of specified competencies have been attained.

Employers want training arrangements that are responsive to workplace needs. This is clearly shown by their widespread support for the concept of enterprise bargaining. If structured entry-level training is linked to the workplace and the trainee is to be an employee, as the AVC system favours, major efforts have to be made to get employers committed to participate in the system. The challenge for the AVC will be to design a competency based system with associated wage adjustments which reflect the higher costs imposed on employers in a high quality training system. This may involve reducing wages for the early part of the traineeship, building in a time or maturation component to peg wages for a fixed period and/or government providing more front end training so that the trainee is initially more productive in the workplace

### **A framework for negotiation**

A key departure from past practice is to link an assessment of training provision meaning both the quality of training and the number of training places with the costs of providing that training in the workplace. At an industry level, negotiations between employers and unions should be based on an assessment of the what type of training is to be provided and the number of training places for a given wage rate. An assessment of the full range of benefits to trainees should include their income in both the short and long term. The benefits to employers should be assessed in terms of the value of establishing a long term relationship with an employee and the chance to gain greater returns on the employer's investment in skills formation.

The bargaining outcomes need to balance the interests of trainees, individual employers, industry, the wider community and the economy. To achieve, this, the bargaining must involve having all these different interests in some way represented or taken into account. Government is able to make provision for the wider community and economic benefits by setting a framework which encourages the promotion of the "public good" through incentives and funding the acquisition of generic competencies through front end training. It is within this framework that the industry bargaining takes place. And within the parameters set by the industry

agreement, individual training agreements can be negotiated between employer and Trainee/employee.

Government, for example, has an interest in the relative use of institution based vocational training and work based training because of the costs to the community of the former compared with the latter. It is possible that the number of training places proposed by government will be more than the number wanted by industry. The AVC targets are a good example of this difference between government and individual industry estimates of the training need. Government may have to provide funds to expand the number of places available, through institution based training, if the number agreed through the negotiations is insufficient from an economy-wide perspective.

## **Training Costs and the Decline of the UK Apprenticeship System**

The collapse of the apprenticeship system in the UK has been attributed to the improvement to training quality with a corresponding increase in costs to employers (Marsden and Ryan 1991:261-264). Institutional and cultural factors were said to militate against lower trainee pay or public subsidies. The separation between industrial issues and training issues by having different bodies responsible for training (industry training boards) and industrial negotiations (employer associations and unions) meant the two issues were divorced. The former dealt with training content and structure, the latter with apprentice pay, age limitations and recruitment. This meant that trainee pay was negotiated separately, with little regard to training considerations. The result was increases in the relative pay of young people while at the same time training quality rose strongly leading to increased costs to employers. The outcome was a marked fall off in the volume of apprentices taken on.

In contrast in Germany, employers have insisted on linking trainee income with training provision and the unions have broadly accepted the argument (Marsden and Ryan 1991: 263)

In 1986, apprentice numbers in the UK were a quarter of what they were in 1964 representing 1.2 per cent of the workforce in manufacturing. The pay of an apprentice in 1989 in metal working was 72.5 per cent of the skilled worker's rate. In Germany, in 1986 apprentices with larger employers had increased to 19 percent more than the 1964 figure and represented 6.0 per cent of the workforce of this sector. The allowance of a German apprentice in metal-working was 35.2 per cent of the skilled worker's rate in that industry.

It is interesting to note that the wage of an apprentice under the Metal Industry Award in Australia is 65 per cent of the base trade rate or 55 per cent of a rate including over-award payments. The Australian pay rate for an apprentice is closer to the British rate than it is to the German rate.

On the basis of the above evidence, Marsden and Ryan argue that the UK developed a "high pay, high quality, low volume" training system.

They conclude:

Such a development suited the interests of those who secured an apprenticeship- they received both better training and higher pay than had their predecessors. However, as the training costs borne by employers increased strongly.... low volume was assured (Marsden and Ryan 1991:264).



*An example of a new approach to industry entry-level training arrangements is provided by the Joint Industry Board (JIB) Scheme in the UK. The new apprenticeship arrangements were negotiated by The Electrical Contractors Association and the Electricians Union in 1983 in response to a "chaotic situation between the union and employers" (ECA-UK Personal Communication 9 September 1993).*

*It is now the major nationally recognised training scheme for electricians in the electrical contracting industry (covering England, Wales Northern Ireland but not Scotland).*

*The JIB scheme consists of five elements:*

*City and Guilds examination 236 part 1  
City and Guilds examination 236 part 2  
Achievement Measurement Test 1  
Achievement Measurement Test 2  
Practical experience on site*

*There has been fine tuning of the academic syllabus as well as the practical tests in the light of experience and changes to technology since 1983. In 1990 the JIB introduced a fast track scheme for adults based on the above five elements.*

*In the future more emphasis is to be placed on modular training to expand the range of training available in areas such as control systems and security systems.*

*The numbers of apprentices, compared to Australia, however, is small. The scheme in its early years had 4000 commencements per annum. Now, due to the recession, the number starting in 1993 was about 1500. This compares with commencements of 5,200 in Australia in 1991-92 (DEET 1993: Table 5).*

*The rate of pay (at Pounds 63.60 a week) is among the lowest for apprentices in the UK.*

*Employers are said to be most happy with the product of the scheme because it encompasses both site experience and academic training. The Electrical Contractors Association comments that "members are currently much in favour of the traditional training method including practical tests and are not looking for major change".*

*As an indication of the value of industry training arrangements, particularly in a more competitive environment, some large companies are turning to the scheme. The major state-owned Electricity Supply companies traditionally ran their own training scheme for electricians based on the City and Guild examinations but since privatisation a number of these companies are now using the JIB scheme.*

Choice between which mode of training will apply will depend on the relative costs to employers and benefits to trainees. As institution based training is a cheaper option as a source of skills to the employer, this will require that government first set the framework in terms of what number of places it is prepared to fund through institutional training and subsidies to employers and how these funds will be

allocated between industries. The resource planning role to be carried out by ANTA will be crucial to this process.

The following framework is suggested as a basis for negotiating a new, more appropriate system for entry-level training. The framework can be used to negotiate an agreement at the industry, regional or enterprise level. The parties involved could be employer associations, employers and unions. The approach being proposed here is similar to but more comprehensive in scope than the process that a small number of work-based AVC pilots have gone through to reach an industrial agreement governing employment and training arrangements.

### **Balancing quality/quantity of training provision with employment arrangements**

A satisfactory and lasting industry training arrangement will depend on the employee's (and union representing employees) perception of the value of the training and the employer's perception of the cost of hosting the trainee and providing the required training opportunities. A one year traineeship with low market value or limited further training opportunities for the skills provided but good prospect of continuing employment for a specific number of persons should result in a different set of wage outcomes than an entry level training arrangement for a longer training period, offering highly marketable skills or good career prospects based on further training. In other words, not all work based training opportunities are the same and the negotiations over employment arrangements need to reflect this.

The following discussion focuses primarily on the issues surrounding an assessment of the quality and quantity of the training provided in terms of the costs of training to the employer, and the value of training to the recipient and the number of places open to young people. Not taken into consideration are the range of factors that government has to consider in setting an appropriate framework for industry as a whole and industry in particular. These factors are the subject of the planning process that ANTA and the industry training advisory bodies will be carrying out as part of the new brief to plan and coordinate the resource allocation process within the national training market.

It is on the basis of the assessment of training quantity and quality that the parties to the proposed training arrangements can decide on the appropriate form work based entry level training should take. The three broad modes for undertaking training are as:

an employee on a wage

a trainee engaged in productive work who is paid a stipend or allowance

a student in an institution-based training program

Where the value of the training to the recipient is high in terms of

industry-wide portability or access to secure employment with good career prospects, and the cost to the employer of the training provided is also high, a balance has to be found to meet the interests of both parties. Conversely where the value of the training to the trainee is low but the prospects of continuing employment are good, this should result in a different calculus of the costs and benefits. Finding ways of lowering the cost of training to the employer does not necessarily mean actually lowering the amount paid to the trainee/ employee. There are a range of other, hidden "on costs" such as workcare costs and inclusion in the superannuation levy calculations that can be addressed with the amount paid to the trainee/employee the last issue that may need to be considered.

The issues to consider in appraising the value of the quality of the training to the potential recipient are:

extent of industry-wide recognition of the qualification (and potential earning power) resulting from the structured entry-level training

basis both in terms of the quality of the training initially provided and the career path options available in the industry for further acquisition of industry recognised qualifications

opportunity for continuing employment beyond initial training with the host employer

opportunities for career path advancement with the host employer

basis for payment in terms of competency attainment, time-served or combination

opportunities for groups against whom there has been statistical discrimination in the past in the industry, regional or enterprise to which the agreement relates

breadth and variety of work experience available

extent of integration of OFFJT and OJT and the quality of the curriculum and range of competencies imparted for both elements

quality of supervision provided for OJT, including:

- recognised competency of the supervisor,
- whether trainer training received, and
- the ratio of persons in training to supervisors/trainers.

The number of training places available and the likelihood of continuing employment for a given wage rate need also to be assessed.

The cost of training to the employer should then be assessed. This will include:

- relevance of OFFJT to the employer (extent of core competencies, industry competencies or enterprise specific standards covered in the training)
- time spent in OFFJT and in what form (block release or weekly)
- extent of pre vocational training received. This might be in the form of a prerequisite for all work-based employee/trainees or allowance made for individual cases
- OJT requirements in terms of job rotation and detail of the curriculum to be followed and competencies to be attained
- cost of the required assessment procedures
- cost of providing supervision with the recognised qualifications in the competencies to be attained and trainer training
- cost of completing paper work associated with the assessment and quality assurance procedures
- whether the trainee is likely to be retained on satisfactory completion of the period of training or a high turnover of trainees is proposed.

The costs of training to the employer or the value to the employee/trainee should not be estimated in a narrow way. This will be only be necessary where the marginal cost of an additional employee/trainee is seen as a major factor in the decision as to whether the employer will participate or not. In many cases, employers and unions will be able to agree in broad terms on the "public good" benefits that will flow from industry-wide training arrangements.

Nevertheless, the above checklist of issues will help employers to identify where costs can be offset, through, for example, front-end, publicly-funded training, given the parameters set by government. In the case of the unions, the checklist on the quality of training can identified where improvements can be made, including a greater role for government or industry coordination to improve the portability of qualifications. The assessment of the relative balance between the value of the training to the potential recipient and the cost to the employer should then be the basis for deciding on which of the above three pathways should be chosen. A mixed approach may be the most efficient outcome.

In some circumstances, employers and unions may agree to a change to the status of a non-employee trainee where, as in Germany, the unions are confident about the quality of training imparted. This confidence is

likely to stem from clear evidence of the employers' commitment to training backed by a suitable regulatory framework to ensure quality assurance. The circumstances most conducive to this arrangement is likely to be in a regional economy where community ties are strong and there is a general awareness of the need to address the problem of unemployment. Regional centres such as Geelong, Whyalla, the Illawarra and the Hunter Valley are examples of where work-based entry-level training arrangements based on the participant as a trainee/non employee are more likely to work.

### **Trainee as employee**

If the employee status for the person undergoing training is chosen, the **employment** related issues to be addressed in the negotiations are

age preference for employment including the possibility of using legislation to prohibit employment of young people unless under a training contract ("declared vocation")

wages rates

for new employees and for -

- . existing employees undertaking structured entry-level training
- . payment for time in OFFJT or not
- . procedures for assessing work value
- . conditions of employment including
  - basis for the employment agreement or contract (who to negotiate, under what legislation or award)
  - full-time or part-time
  - provisions re overtime, shift work
  - whether commitment or not regarding continuing employment if performance satisfactory
  - recognition of continuity of service if employment continued
  - disputes settlement procedures relating to employment contract or agreement
  - duration of the agreement

Issues the union may want to raise are:

commitment on the part of the employer to additional employment without displacing existing employees. This will not be an issue with a high quality training program where the trainee stands to gain substantially. It is, however, likely to be a concern of unions where the training proposed is short term and closely related to giving disadvantaged groups access to employment.

union access to the employee on union business

In relation to **training**, the following issues need to be addressed:

definition of an approved employer

type and extent of OFFJT

type and extent of OJT including the extent of job rotation

quality and extent of the supervision

provision for the recognition of prior learning

procedures for assessment

mechanisms for resolving disputes in relation to the training contract both at the local level and as a final "court of appeal" (such as a State Training Board or equivalent body)

a mechanism for reviewing and evaluating the effectiveness of both the OFFJT and OJT provided.

Included in the negotiations could also be the mechanism for administering the contract of training within the parameters set by the delegation under the state training legislation.

### **Work-based trainee who is not an employee**

The issues that would need to be addressed in this training arrangement, in addition to those referred to above in the outline of the training contract, are:

basis for determining the allowance including the basis on which increments are granted (competency attainment, time-served or some combination of both)

recognition of the cost savings from the non-employee status such as no superannuation payment, no payroll tax etc

specification of work performance expected from the trainee including hours of attendance etc.

In the case of both the work-based trainee who is an employee and particularly in the case of the non employee, it would be valuable to identify an independent mentor who could review the trainee's progress and liaise with the employer or provider of the vocational placement if progress is deemed less than satisfactory. This role has been entry-level training out in some detail by Paul Martin and Robin Stewart in their report on a suitable delivery mechanism for competency-based training for small to medium sized business (Martin and Stewart 1993). This mentoring role is likely to overlap substantially with the roles and functions of the managing agency responsible for the administration and coordination of training arrangements.

### **The Trainee as a Student**

The trainee as a student refers to the situation where a full-time student is undertaking a vocational placement as an integral part of their curriculum of study. The issues that need to be addressed in this arrangement are:

- length of the work placement

- formal statement of the student and employer expectations of outcomes from the work placement

- presentation of a structured training plan integrated with the curriculum of study

Clearly there are costs and benefits to the employer because the student on work experience will invariably contribute to production, albeit as a by-product of the training requirements of the work experience. A balance needs to be found between costs and benefits in deciding the number of places to be made available.

- provision for feedback on performance of both student/trainee and employer

- appropriate insurance cover for the student/trainee

### **Selecting an appropriate agency to administer the contract of training**

It is proposed that responsibility for administering the training contract be handed over to an agency closer to the workplace. The prime purpose in doing this is to foster closer links with employers so as to encourage stronger support for the training arrangements, particularly in the provision of employment opportunities.

A DEET discussion paper on the "Administration and Delivery Framework of the Australian Vocational Certificate Training System", released in August 1993, recommends that "recognising the potential diversity of work-based training arrangements, the importance of industry participation and the need for responsiveness to local conditions, a more

collaborative approach to the management of Training Agreements should be developed with industry" (DEET 1993: 24). The paper then recommends that the State/Territories, while retaining responsibility for the effective administration of Training Agreements, should explore the scope for increased industry involvement through the selective devolution of administration to "management agencies". The paper suggests that "management agencies" might include:

- industrial enterprises (which possess adequate training and administrative infrastructure;
- group training companies (subject to development of their capacity in this area);
- tripartite bodies (such as ITABs);
- government agencies

The following discussion of the need and means of devolving responsibility for entry-level training to agencies closer to the workplace is based on the extensive consultations held in late July and during August before the discussion paper was released. The consultations revealed strong dissatisfaction with the traineeship model of the "top-down", bureaucratically-driven implementation process and overly rigid administrative controls. With few exceptions, there was widespread support for a more localised form of implementing entry-level training arrangements.

There was some enthusiasm from several large employer associations about taking on the role themselves and support in principle from the peak employer bodies. Support for a more devolved system of managing Entry-level training also came from union officials interviewed although some reservations were expressed about whether employer associations would be appropriate. There was also concern expressed about the need for institutional safeguards in a devolved system.

It is proposed that the agency with the closest links with a broad range of employers is obviously best placed to fulfil this role. It may not be possible or desirable to identify one agency in a particular industry or region as the most suitable vehicle for any one industry or occupation. It is preferable where possible for employers to have a choice from a small number of agencies. There are several agencies that could take on the role of administering and monitoring entry-level training arrangements as well as, in the first instance, helping to resolve any disputes that might arise. Each has their own strengths and limitations.

The suggested criteria for agency selection are:

- . strong credibility with individual employers
- . ability to act as a training broker
- . close ties with a local community
- . good standing with employees and their representatives

The major criteria for selection of an agency should be its credibility with employers and ability to liaise with them to attract support for the



maintenance and expansion of entry-level training arrangements. The key function the agency has to play is that of training broker. The criterion of close ties to a local community is aimed at tapping into a sense of community obligation that is an essential element in the employer's motivation for taking on a trainee.

The prime candidates for the agency role are:

- . Industry Training Advisory Bodies
- . Group Training Schemes
- . TAFE colleges
- . Employer Associations
- . regional economic/industry development boards or other regional bodies
- . Enterprises
- . Unions

A list of key functions and the relative merits of the different possible agencies are discussed in attachment 7.1 at the end of this chapter.

### **Selection of the Supervising Agencies**

It will be necessary to set up a vetting process to select the agency or agencies with the strongest support among employers and the local community to be given the authority to administer regulated training. The function with government funding could be opened to public tender and an agency selected on the basis of the consensus of representatives of the local community. It is important that employers have a choice of agencies to carry out the function but to meet the above criteria the number of agencies in any one area should be limited to two or three. There is the issue of whether the power to administer the work based training system should be devolved to the agency or agencies in a particular industry or merely delegated. Delegation may be preferable in the first instance followed by devolution where the new arrangements are seen as working satisfactorily.

### **Safeguarding standards through ITABs**

An important question is what role is there for the union movement in this process of delegation of responsibility away from a state training authority. The centralised process often included union representation but only at the peak level, with most aspects of the administration and responsibility for the maintenance of standards handled by government officers or TAFE. The role of the union movement in a decentralised system of administering regulated training would be through the ITAB as the body charged with setting and reviewing standards and maintaining quality through an agreed assessment process. This is the properly constituted role of the tripartite ITABs. There would need to be a close working relationship between the ITABs and the agencies chosen to administer the training arrangements to ensure the training meets the industry standards and assessment procedures are appropriate and consistently applied.

The most effective way of gaining commitment to industry-level training arrangements is to make an agency with close links to the workplace responsible for delivery. This can only work well if the parties to the industry arrangements have agreed to the objectives and mechanisms for its operation. The current reliance on centralised administrative controls and delivery mechanisms produced a strong negative reaction in the consultations held with a number of people involved in the delivery of training in the workplace. This applied especially to those people who had been involved in setting up innovative entry-level training arrangements through an AVC pilot project.

The challenge in relation to the future for regulated training in Australia is to "reinvent" the system in such a way as to link together the quality of training provision with appropriate employment arrangements which reflect the cost and benefits to both employees and employers. This can only take place by shifting the foundation for apprenticeship training arrangements from broadly-based occupational awards to more focused and tailored arrangements based on the more specific needs and commitment of the industry parties.

This will involve delegating the responsibility for the continuation of entry-level training arrangements which operate across enterprises to industry itself. This means that employer associations, unions and other agencies such as large enterprises should become key players in negotiating the parameters, administering and monitoring the operation of a system of training based on employment.

More specific, industry-focused negotiations will open the way for employers and unions, if they wish to continue with regulated training, to negotiate new wages and conditions for apprentices in response to the quality of training provided. Other new provisions to help offset the increase in costs associated with a greater emphasis on lifting the quality of training might include new contractual undertakings to individuals by employers to provide an employment place after completing pre employment vocational training. These new conditions should take into account the value to the industry of higher level skills but also the increased cost to individual employers. Only in this way are employers likely to commit themselves to participate in a high quality work-based training system.

## **Conclusion**

This report has found that the existing forms of regulated training are likely to decline substantially within the next five years as a result of a shift in the centre of gravity of the industrial relations away from highly centralised forms for determining wages and conditions to agreements that are negotiated closer to the workplace.

Regulated entry-level training had its origins in the successful efforts of trade unions to establish occupational labour markets through the arbitral system of awards regulating wages and employment conditions, state training legislation and administrative requirements imposed as a

condition of receiving a subsidy. Should this regulatory and administrative support be withdrawn or lessened, occupational labour markets are likely to collapse because they are based on highly standardised skills and entry provisions that no longer match the needs of other than mostly small employers.

The proposed AVC training system in its pilot phase appears to have concentrated its efforts on introducing competency based training without addressing in an integrated fashion the links between the provision of different types and levels of training and the cost and benefits to employers and employees. It is increasingly likely that employers in the face of an inflexible or costly employee based training system for new entrants will turn to enterprise-based training or to industry training with an enterprise focus to meet their training needs, concentrating their efforts on upgrading or retraining their core workforce.

However, survey evidence collected by this review indicates that these qualifications-based labour markets are still in the very early stages of their establishment with in many cases key features such as required training modules, assessment and validation procedures yet to be developed. Where training associated with entry-level certificates is operating, it is mostly servicing existing employees. The attractiveness of the new industry entry-level training to employers is often to do with meeting the need for the production workforce to meet quality assurance standards. Few new entrants to the labour market appear, as yet, to be involved in this training.

This leaves institution-based vocational training as the most likely option suitable for large scale entry-level training for new entrants (or re-entrants) to the labour market. The major shortcomings of institution-based vocational training are threefold: the limited practical experience that it entails, the lack of access to up-to-date technology and the substantial cost to government

The option that this review has explored is for a student/trainee to spend a greater length of time in a vocational placement under a training contract. This is an option best suited to where the recipient of the training stands to gain a considerable economic benefit from having an extended access to the range of learning opportunities that only a workplace can offer. At the same time, there are likely to be considerable costs as well as benefits for employers who provide the opportunity for a work placement. The proposed new training contract, as outlined above, should reflect the costs and benefits to the parties involved.

It is important also that the trainee be engaged in productive work to enable the person to be a part of the work team. The payment of an allowance to the trainee by the employer or the government would, therefore, enable a longer period of work experience to be undertaken. These arrangements require an element of trust between employers, unions and government but need to be backed by appropriate monitoring

to ensure that the student is not exploited and that there is no displacement of an existing employee. Where these assurances cannot be given and maintained, use of a more traditional apprenticeship or traineeship model which places employment first with appropriate legal safeguards should continue.

The major flaw in the existing apprenticeship system, highlighted in this report, is the rigid division between the mechanisms for resolving training issues and the mechanisms for resolving issues related to employment. This is appropriate in those situations where youth exploitation is likely but its narrow, protective orientation severely restricts the development of more flexible arrangements where the risk of youth exploitation is slight because of the commitment of the parties to a system of high quality skills training.

The challenge in relation to the future for regulated training in Australia is to "reinvent" the system in such a way as to link together the quality of training provision with appropriate employment arrangements which reflect the cost and benefits to both employees and employers. This can only take place by shifting the foundation for apprenticeship training arrangements from broadly-based occupational awards to more focused and tailored arrangements based on the more specific needs and commitment of the industry parties.

The most effective way of gaining commitment to industry-level training arrangements is to make an agency with close links to the workplace responsible for delivery. This can only work well if the parties to the industry arrangements have agreed to the objectives and mechanisms for its operation. The current reliance on centralised administrative controls and delivery mechanisms produced a strong negative reaction in the consultations held with a number of people involved in the delivery of training in the workplace. This applied especially to those people who had been involved in attempting to set up innovative entry-level training arrangements through an AVC pilot project.

**THE KEY FUNCTIONS AND RELATIVE MERITS OF DIFFERENT AGENCIES TO ADMINISTER ENTRY LEVEL TRAINING**

The key functions that need to be performed by the **management or supervising agencies** are to:

act as a broker to encourage employer participation

assess employers seeking "approved employer" status

audit of on-the-job training facilities and supervision

administer subsidies available to employers including special assistance for trainees from disadvantaged groups

administer paperwork associated with the signing and registering the training contract

mediate in the first instance in any dispute regarding the contract of training. It may be necessary for an independent mediator to be appointed if the supervising agency is closely associated with an employer association or union.

arrange transfer to another employer if the original employer wishes to withdraw from the contract because of work shortage or other changed circumstances

coordinate assessment arrangements and validate the results

monitor progress of trainees and act as a mentor for trainee

liaise between employer and trainee to maximise the outcomes for both parties

Other key functions more appropriately left to the **State Training Authority** would be:

hear disputes in relation to the training contract that cannot be resolved through the services of a mediator working in conjunction with the supervising agency

investigate and report on alleged breaches of the state/territory training legislation

evaluate the effectiveness of procedures for ensuring quality and the need for standard practice where necessary

## **Relative merits of the different agencies likely to be suitable to perform the above functions**

The **Industry Training Advisory Bodies (ITABs)** are tripartite, separately incorporated entities that would appear on the surface to be highly appropriate vehicles for administering and monitoring the training contract of apprentices and trainees. Their major shortcoming, however, is that they are seen by many employers as merely an arm of government. This appears to stem from the fact that virtually all funding derives from state and federal governments and most of their work is directed at responding to the requirements of the performance agreements and corporate plans negotiated with their primary funding sources. This widespread impression of employers (and some union officials) of ITABs following a set government agenda is reinforced in the eyes of many by the fact that the executive officers are often former public servants from the Department of Employment, Education and Training or the State Training Authorities.

The prime function of ITABs, especially under the new ANTA arrangements, is to provide advice to governments, state and federal, on the industry demand for training and policy related matters. This focus, reinforced by funding sources and personnel origins, makes it difficult for these bodies to draw on close links with employers to broaden the base of employment opportunities for work-based structured entry-level training to extend beyond the existing group of employers who have shown their willingness to participate.

The role of a training broker is needed to help employers identify and find solutions for any personnel or other business problem they might have. The single purpose policy and planning focus of ITABs makes it difficult for small and medium size employers to see them as a multi-faceted source of advice to resolve personnel-related problems and to give objective advice on the best way to recruit suitable employees.

**Group Training Schemes (GTS)** are, on the surface, another obvious vehicle for managing a work-based training system. There are some constraints in practice, however, which may make GTS limited in their potential to take on a role which is wider and more extensive than how they operate now. Despite their existence for ten years, the number of apprentices and trainees working under the auspices of GTS has remained static or declined. This has been the case despite the financial incentives made available by federal and state governments.

The focus of scheme managers on the need to recruit the cream of prospective employees/trainees to maximise the chances of placement with an employee can conflict with the objective, often imposed as a condition of government funding, to take on young people from disadvantaged backgrounds. These often opposing goals can make it difficult for schemes to expand the number of participants beyond a certain level.

The separately incorporated status that the government insists on as a

condition for funding may also be a constraint on the ability of group training schemes to take on the wider role proposed here. Several group training arrangements have worked well when run directly by employer associations such as the Victorian Automobile Chamber of Commerce (VACC). Direct control by an employer association can offer access to a range of services and networks denied to a stand-alone Group Training Scheme.

Another limitation of GTS is the focus of some GTS on achieving employment outcomes at the expense of and concern with the quality of the training delivered. Group Training Schemes with this focus are unable to act as a training broker. Where the better run schemes make an effort to have a higher ratio of employers to apprentices/trainees to enable a wider choice in job rotation, this places a further operating constraint on how many participants any one area or industry can carry. Nevertheless, where GTS are operating successfully and are well accepted in the local community, they are clearly well placed to take on the role of administering and monitoring regulated training.

**TAFE colleges**, particularly where they have a strong local reputation and are able to gain widespread employer support are another vehicle which administer a structured training program based on the workplace. One limitation is the fact that TAFE is still government with the resultant the lack of ownership by employers. This would be most likely overcome in a regional setting where the local sense of community and sense of mutual obligation on the part of employers is likely to be stronger.

The fourth option is to hand over responsibility for managing structured work-based training to **Employer Associations**. This would be consistent with the interest that a number of employer associations have in finding a new role for themselves as their industrial relations advocacy role diminishes in the face of the greater impact of enterprise bargaining. Employer Associations would also be best placed to provide a service as a training broker because, in their members' eyes, there is no conflict of interest in selling a particular solution to an employer's personnel problems. Gaining employer commitment to take on the considerable responsibility for acting as a trainer as well as an employer requires fostering a sense of community obligation. one way to do this is to draw on the goodwill that may exist in an employers association.

A distinction should be made between the broadly-based employer associations such as VECCI and the NSW Chamber of Commerce and more narrowly based industry associations. While the former may be keen to take on the role, the latter may be reluctant because of concerns over resources to carry out the function. Transition funding may be necessary while employer associations develop their own assessment and monitoring arrangements. Employer associations in themselves may not necessarily be suitable. A large association may be too broadly-based to have close links with a local community. On the other hand, an industry association may be too narrowly focussed on pursuing a limited a range of objectives. Other local associations such as a regional economic/industry

development body or tourist development board with broad regional and industry representation and responsibility may fit the criteria better.

One mechanism to give employer associations greater ownership of the collective provision of training is to give them responsibility for collecting and disbursing a training levy. This happens now in the building industry in Tasmania and Western Australia. There might also be a case for targeting the levy for specific purposes to give it a greater credibility with especially small employers. A portion of the French levy is earmarked for financing work placements for vocational education programs in high schools. The Germans have provision for imposing a levy on employers when the supply of formal apprentice places does not exceed by at least 12.5 per cent the number of young people seeking a place.

An **Enterprise** may wish to take on the role of the agency organising regulated training if was, for example, at the centre of a network of its suppliers and/or customers or was a significant employer in a region with its own training facilities. Large employers in the past, particularly those in the public sector, have played a significant role in training young people through apprentices far beyond their immediate requirements as a service to the community. While this community service role for large enterprises has greatly diminished in recent years, there should be provision for enterprises to also take on the role of an agency if there is a consensus from community representatives that they meet the selection criteria.

**Unions** are another potential supervising agency. Several unions operate a skilled labour hire agency in the Hunter Valley and there is no reasonable why a similar body could not perform a similar role in relation to apprentices and trainees. The unions are most likely to be successful in performing this function where there is a strong community acceptance of their role as honest brokers in the labour market. This is more likely to be in depressed labour markets in regions with little prospect of an improvement in the local economy