

WORKPLACE RELATIONS INQUIRY

PRODUCTIVITY COMMISSION

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Introduction

Manufacturing Industries Group Apprenticeship Scheme (“MIGAS”) welcomes the Productivity Commission’s inquiry into Australia’s workplace relations framework.

Like similar organisations, MIGAS endeavours to supply and support vocational training opportunities, irrespective of economic climate. The services offered by MIGAS create flexible employment opportunities for apprentices & trainees within traditional trade industries.

The introduction of the Australian Apprenticeship Support Network (AASN) recognised that Commonwealth-funded support services play a valued and integral role in assisting Australian Apprentices and their employers, to engage with and navigate the Australian Apprenticeships system. Stakeholders agreed that current services did not deliver the level of support many employers and their apprentices need to engage with and successfully complete apprenticeship arrangements. However, the level of service recommended for implementation of the AASN is currently already delivered within a MIGAS-style model.

As such, we respectfully suggest that a review of the current Workplace Relations framework should also prominently include both improved capability and promote an increased role of Apprenticeship Group Training Scheme providers (“GTOs” or otherwise hereafter referred to as the example provider, “MIGAS”) in Australia.

The table below references the number of vocational training places currently in Australia.

Figure 1. *Number of Australian Apprentices currently in-training according to network service region*¹

Region	Number of Australian Apprentices in training
ACT	6,632
New South Wales	120,651
South Australia	28,168
Tasmania	9,253
Victoria	97,031
Queensland	75,699
Western Australia	41,173 ¹

¹ Department of Industry, Skills & Energy Programmes Division, (2014). *Australian Apprenticeship Support Network / Request For Tender*. Canberra: Australian Federal Government, p.69.

In the Brotherhood of St Laurence's submission paper titled "My Chance, Our Youth"², John Hartigan summed up the issues of youth unemployment in Australia, explaining that today, youth were not just competing with people in their own back yard for tertiary qualified positions – they were competing against a global candidate pool. Many of these young Australians are being consigned to a relatively new underclass, something we have not before seen in large numbers in affluent Australia. However, those numbers are rising. He stated, "Make no mistake: no skills, no job, no quality of life – Today, we are seeing youth unemployment figures that have reached crisis point." We take these comments to mean that in an Australian perspective, such a level of youth unemployment and lack of skilling has the potential to destabilise society with a consequential detrimental impact upon productivity.

Figure 2. Graph highlighting the increase in youth unemployment since 2008.³



However, productivity is not just affected by youth unemployment and low skill levels. The target market for Australian apprenticeships also includes women and mature age candidates and priority groups (including indigenous, migrant and disabilities) seeking trade-based employment.

We venture that the consideration of the issue of unemployment should also include underemployment⁴. The ABS⁵ estimated that there were 875,000 Australians who were underemployed at September 2013.

² Hartigan, J. (2014). *Australian Youth Unemployment*. My Chance, Our Future. [online] Brotherhood of St Laurence, p.02.

³ Tradingeconomics.com, (2015). *Australia Unemployment Rate | 1978-2015 | Data | Chart | Calendar*. [online] Available at: <http://www.tradingeconomics.com/australia/unemployment-rate> [Accessed 23 Feb. 2015].

⁴ An unemployed a person meets the following three criteria:

- Not working more than one hour in the reference week;
- Actively looking for work in previous four weeks; and
- Available to start work in the reference week.

⁵ Australian Bureau of Statistics September 2013 6265.0

We also venture that upskilling Australians in traditional trades and targeted training retains relevancy in the world-wide technological revolution which is promulgated to result in increased unemployment of the unskilled and those with less relevant skills. This is seen as being complementary to ongoing Australian investment in tertiary education and the removal of impediments to conducting business (review and reduction of “red tape”, sunset legislation etc).

MIGAS has operated since June 1988 employing predominately untrained people, finding them positions with host employers and apprentices and trainees and attending to their experiential and theoretical learning and other needs to enable them to complete their apprenticeships and traineeships. Our direct evidence is that attaining a skill results in productive full-time employment.

MIGAS and other GTOs deliver an essential service to the Australian economy through employing apprentices and trainees who would not otherwise have the opportunity of undertaking and competing apprenticeships and traineeships. For small and medium enterprises, this can be because employer entities do not have the skills or breadth of activity to allow an apprenticeship to be completed. For large organisations, this may be because the skills and experience of MIGAS are recognised as superior to the host organisation or that major contracts requiring apprentices and trainees do not have the duration of the apprenticeship or traineeship. Hence MIGAS employs and provides the services of the apprentice or trainee to the host employer and seeks alternative host employment for the individual upon the completion of the contract.

Thus it is argued that it is to the benefit of the broader Australian economy that the activities of MIGAS and other GTOs not only continue to be supported at the Federal and State levels, but that such support be increased by targeted funding to assist:

- i. Youth employment
- ii. Mature aged upskilling and employment
- iii. Women’s upskilling and employment
- iv. Employment of priority groups
- v. Secondary schools programs

Through:

- i. Trade and upskilling promotional activities, including highlighting the role played by MIGAS
- ii. Pre-commencement training
- iii. Co-ordination of language, literacy and numeracy programs
- iv. Development of new tools and refinement of existing tools to assist these programs
- v. Promotion of skilled mentoring programs for apprentices and trainees
- vi. Research in international trade skills training programs

The requirement for Australia to invest heavily in vocational education and training was highlighted by PricewaterhouseCoopers⁶

“The Australian economy will barely rank among the world's top 30 by the middle of the century if there isn't a fresh focus on education, particularly in science and technology, according to a study by British economists.”

⁶ Australian Financial Review Jacob Greber 11 February 2015 referencing PwC “The World in 2050” Report February 2015 <http://www.pwc.com.au/consulting/assets/publications/World-in-2050-Feb15.pdf> However the report notes that Australia is expected to maintain its relativity in terms of GDP per capita in PPP terms.

This theme was also adopted by The Economist its assessment of a century of economic Argentinean decline⁷

The 2014 AASN initiatives announced by Industry Minister Ian McFarlane⁸, align with MIGAS' core business objectives of providing a full service apprenticeship model, capable of tackling declining apprenticeship commencements and completions. For this to be successful, this will need to be delivered in partnership with industry, through more demand driven training, relevant to the needs of employers. Also needed are better career advice services, that promote VET Pathways as desirable career choices and pre-employment pathway programs, coupled with apprentice mentoring (which has a proven record of reducing apprenticeship cancellations over the long term).

To effectively deliver services that aim to mentor and support Apprentice completion rates, the AASN has to effectively eliminate red tape processes, to enable successful contractors to provide practical support to employers and apprentices that will deliver positive, tailored outcomes for industry.

Request for Comment on the Scope of Inquiry

Unemployment, underemployment and job creation

MIGAS has consistently advocated for the significant contribution VET opportunities make to the success of Australia's future. An Apprenticeship or Traineeship undoubtedly creates a long term sustainable employment opportunity.

Efforts to contribute to ensuring that Apprentices and Trainees do not fall into categorised underemployment and receive adequate financial support to complete their apprenticeship are encouraged. The implementation of the Trade Support Loan, seeks to support Apprentices and aid the financial strain experienced by many in the first years of an apprenticeship and should be extended to all VET places, to support an experiential learning model.

In regard to a holistic approach to workplace reform, MIGAS recommends that the child care system should be responsive to the needs of today's families and today's economy, not the five-day 9am-5pm working week of last century. According to ABS data, nearly 120,000 Australian parents say they can't access employment because they can't find suitable child care. ABS data shows that child care costs to parents have increased by 27 per cent over the past three years. MIGAS recommends that any inquiry cover how the child care system can be made more flexible, affordable and accessible to working parents.⁹

⁷ The Economist February 15 2014 The Tragedy of Argentina A century of Decline

⁸ The Australian Apprenticeship Support Network: Department of Industry 8 September 2014

⁹ The Coalitions Policy for better childcare and early learning September 2013

The length of an apprenticeship, coupled with low wages and an increasing cost of living, have contributed to the decline in popularity of Australian Apprenticeships over recent years. By reassessing training, delivery and experiential learning models and developing effective training with industry it could be possible to shorten the time spent indentured to an apprenticeship and increase the uptake of qualified tradespeople throughout Australia. A well-functioning vocational education and training system should help to ensure that Australian industry has access to people with the skills required for the jobs of the future, rather than looking to our overseas counterparts.

The Abbott Government identified the need for an appropriately skilled workforce as a priority for Australia's continued growth and supported making vocational education and training more responsive to employment needs. This could be achieved by removing red tape from training providers, to allow them to provide flexible support and training solutions to students whilst working under tougher standards that ensured quality training.

Training providers often identify where areas of Government funding could best be utilised. By encouraging training provider partnership with industry and businesses, such as MIGAS and by giving some authority to determine where funding needs lie seasonally, tailored programs individualised to the needs of business and industry will be developed with consequential successful and measurable outcomes for students.

Fair and equitable pay and conditions for employees, including the maintenance of a relevant safety net

The current framework for apprentices varies significantly by State and industry. The inclusion of Modern Awards has only added to the complexity of this system. MIGAS recommends a review of pay instruments to include uniformity across all states and the elimination in its entirety of the National Agreement Preserving State Awards.

MIGAS recommends that minimum wage is maintained at the current rate and penalty rates for weekend work, are reviewed and removed to enable greater flexibility of a standard working week.

Small businesses

A review of industrial relations framework should provide greater financial incentive and flexibility for small business toward employing apprentices. Senator Simon Birmingham agreed that vocational education was central to business startups and Australia's economic growth but that overall employer satisfaction with VET programs had significantly decreased in recent years. This decrease he says, was due to 4 major areas for concern. Between 2011 and 2013 the proportion of employers:

- Using the VET system decreased 4.2 percentage points to 51.9%;
- With jobs requiring vocational qualifications decreased 3.1 percentage points to 33.3%;
- With apprentices and trainees decreased 3.5 percentage points to 26.9%; and
- Using nationally recognised training (which was not part of an apprenticeship or traineeship) decreased 3.7 percentage points to 20.0%.

The proportion of employers satisfied with training as a way of meeting their skill needs has also decreased. Between 2011 and 2013 the proportion of employers satisfied that:

- Vocational qualifications provide employees with the skills they require for the job decreased 6.3 percentage points to 78.3%;
- Apprentices and trainees are receiving the skills they require from training decreased 4.1 percentage points to 78.8%;
- Nationally recognised training (which was not part of an apprenticeship or traineeship) provides employees with skills required for the job decreased 6.1 percentage points to 83.1%; and
- Unaccredited training provides employees with skills required for the job decreased 5.9 percentage points to 90.3%.

To assist small business in obtaining relevant information surrounding fair work practises, MIGAS recommends that easier access to Fair Work advisory services be implemented. Current wait times to speak to consultants via the Fair Work Hotline can exceed 2 hours. This is not conducive to small businesses, to be able to access this service efficiently.

Productivity, competitiveness and business investment

Through our business dealings, MIGAS has found that employers engaging in unscrupulous business practice, such as illegally employing staff on fraudulent 457 Visa's and paying below minimum wage in rural areas, prevent open competition.

In Queensland, the practise of allowing GTOs to operate under NAPSA awards also prevents competition in the market as these rates frequently provide opportunity to undercut other businesses forced to trade under the Modern Awards. This prevents fair competition and ability to trade equally under "shop rates".

MIGAS also recommends that the training place requirement expected of large businesses be reviewed in line with Government policy on increasing apprenticeship and traineeship placements nationally.

The ability of business and the labour market to respond appropriately to changing economic conditions

In the current economic climate business downturn can severely affect completion rates for Apprentices and Trainees. Current legislation prevents GTOs from continuing to employ Apprentices on stand down resulting in unnecessary cancellations.

MIGAS recommends that the inquiry addresses methods of ensuring that Apprentices can continue to be employed by their respective GTOs while on stand down and allow them to progress in their study, irrespective of the current host employment situation. This is particularly important in Queensland, where current legislation does not allow for continued unpaid employment in periods of stand down.

Patterns of engagement in the labour market

MIGAS recommends that a review of the Industrial Relations Framework should consider the implications of encouraging upskilling, promoting adult Apprenticeships and the relevance of wage differentials for older workers.

The ability for employers to flexibly manage and engage with their employees

Currently the Apprenticeship and Traineeship system is inflexible in terms of the length of time serviced for yearly progression. MIGAS recommends that a review be conducted, that allows business the flexibility to hold back progression of apprentices and trainees, until they are proven competent for their year level. Currently progressions are arranged primarily based on time serviced in an Apprenticeship and to hold back progression due to incompetency can be a timely and convoluted process for employers. This can result in qualification of inadequately trained Apprentices and Trainees.

Barriers to bargaining

MIGAS recommends that a review of the Industrial Relations Framework includes a provision for Apprentices and Trainees to be included as a requirement, for all enterprise bargaining agreements made with employers.

Red tape and the compliance burden for employers

MIGAS recommends that in line with review of the current legislation surrounding unpaid stand down for Apprentices and Trainees that provisions be made to ensure that apprentices on stand down can be eligible for government unemployment support during this time.

Industrial conflict and days lost due to industrial action

MIGAS recommends that a provision be made to ensure that an Apprentice or Trainee is not financially penalised for industrial action that prevents them from continuing to work due to the absence of adequate supervision.

Appropriate scope for independent contracting

MIGAS recommends that a review of the Industrial Relations Framework consider the auditing capability of Fair Work Australia to be able to adequately identify employers engaging tradespeople in sham contracting arrangements in order to pay below award wages.

Recommendations for matters of review

Based on the matters outlined above, the following should be incorporated into the review by the Commission into the Industrial Relations Framework:

1. Acknowledge the importance of safeguarding and inclusion of all Apprentices and Trainees in matters of the review.
2. Put in place measures surrounding fair pay, flexibility and conditions that support an increase in Apprenticeship and Traineeship commencements in small, medium and large businesses.
3. Put in place measures that allow fair treatment and support for Apprentices and Trainees in times of job loss or stand-down that will support their ability to continue to complete their trade vocation.
4. Engage in a comprehensive review and put in place measures to address fraudulent and unfair work practice surrounding employment within industry.
5. Review and put in place measures that support fairness, uniformity and equality surrounding required minimum wage and the subsequent awards that dictate these wages.
6. Review and put in place measures that support families and working parents to continue in employment and ease the ongoing financial burden of childcare. As well as improve childcare availability by implementing more flexible and tailored approaches to childcare.