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Australian Manufacturing Workers' Union

Australian Manufacturing Workers Union Submission in response to the Productivity Commission's Building a skilled and adaptable workforce Interim report.

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AMWU

The AMWU The Australian Manufacturing Workers' Union (AMWU) is the primary union representing Australian manufacturing workers. We are 60,000 members strong, and we live and work in every region and city of the country. Our members build, manufacture, and repair trains, trucks, trams and electric buses; infrastructure for construction projects; as well as naval ships and other military equipment. We process the food our farmers grow, maintain equipment in our hospitals and buildings, and energy infrastructure like wind towers

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Background

The Treasurer, Jim Chalmers, has signalled that the Albanese Labor Government's second term will place a strong emphasis on boosting productivity. The AMWU welcomes this focus, particularly given that for the past four decades, productivity growth has been held back by capital strikes and short-term profit-seeking at the expense of Australia's long-term prosperity. Sustained productivity growth is essential for the long-term strength and sustainability of industry, and we strongly support a renewed commitment to this critical national priority.

Throughout Australia's economic history, growth in labour productivity has been primarily driven by improvements in the health, wellbeing, and skills of working people (Madsen 2010). I t is therefore encouraging that the government is now placing greater emphasis on the human capital side of the productivity challenge, as reflected in the Productivity Commission's discussion paper on building a skilled and adaptable workforce. The AMWU welcomes the opportunity to engage with these proposals and to contribute an evidence-based approach to addressing this critical component of the productivity puzzle, one that tackles the real challenges of skills development and workforce capability.

However, improving productivity is a meaningless pursuit unless it translates into a better standard of living for Australians. Productivity growth on its own does not guarantee improved outcomes for working people. The critical question is always: who benefits from these productivity gains? We will expand on this point later in the submission, as it should be part of any discussion surrounding productivity. As, contrary to recent claims, productivity growth does not automatically deliver higher wages, or indeed any particular outcome.

Disestablishing the Productivity Commission

The Productivity Commission was established in 1998 as an independent advisory body, intended to guide government policy in the interests of Australia's economic and social wellbeing. But if, as the saying goes, a tree ought to be judged by its fruits, so what fruit has the Commission borne? Since its creation, labour productivity growth has stalled, the cost of living has soared, inequality has grown, and the quality of life for many Australians has deteriorated. These are the Productivity Commission's fruits, and they are bitter.

This decline is not accidental. It is the predictable outcome of policy settings promoted by an institution wedded to the failed neoliberal experiment, an approach designed to socialise firms' risks while privatising their profits. The Commission's influence is evident in the recent decades of economic drift.

The so-called productivity crisis we now face is in large part the result of these very policy prescriptions. For decades, firms have been shielded from the consequences of underinvestment in physical capital, research and development, and workforce skills and health. This has created an economy in which businesses lack incentives to invest productively, leaving us with a capital strike and economic stagnation. The Commission has helped design these policy settings and therefore bears responsibility for their outcomes. It is time to disestablish the Productivity Commission.

In its place, we propose the creation of a Manufacturing Competitiveness Council within the Prime Minister's Office. This new body would provide coordinated, strategic advice across government, oversee sectoral assessments beyond the narrow confines of Treasury, and offer expert guidance on industry, skills, research, and innovation. By leveraging Australia's natural advantages to grow value added, knowledge intensive manufacturing, particularly in renewable technologies, the Council would act as an independent, forward-looking source of industry policy advice. In doing so, it would ensure that Australia's national strategy is driven by long term prosperity and resilience, not outdated orthodoxies.

Productivity and wages

One of the central contentions of the Productivity Commission is that a growth in productivity will lead to higher wages through the magic of some form of invisible hand. This appears to be driven by a belief in perfectly competitive labor markets, something which, quite frankly, does not exist anywhere (Alan 2011). The evidence that has been produced in recent years suggests that Australia's labor market is not competitive (Booth and Katic 2010; Hambur 2023; Leigh 2023).

The long-run data, which is available, shows that each of output per person and labor productivity decoupled from real earnings or wages initially in favour of labor from around 1970 onwards, and then in favour of capital from the early to mid-1980s onwards (Figure 1.) (Butlin et al. 2014). This decoupling has never reversed (Butlin et al. 2014). To be clear, the available evidence doesn't suggest that this decoupling was unique to either of the mining or agricultural sectors. (Figure 1.) (Butlin et al. 2014)

Figure 1. Labour productivity and real earnings.

Source: Real earnings data are for the period 1950 to 2010 and are constructed from various sources. Productivity data are for the period 1965 to 2010 and are taken from ABS (2010) Experimental Estimates of Industry Multifactor Productivity, Australia: Detailed Productivity Estimates, cat. 5260.0.55.002_2009-10.

This is a proposition which appears to have been advanced by certain interests as a way of defending their support for policies which allow private capital to reap the benefits of improved productivity, at the expense of the living conditions of workers. These policies undermine the push for: a living minimum wage rate, award rates that reflect a living wage, and compensation for skills and/ or the reinstitution of sectoral bargaining – any of which would help ensure that workers receive a fair share of the value they create, in the context of a labour market which is defined by the exercising of monopsonistic market power (Acemoglu 2003; "Good Jobs versus Bad Jobs" 2025; Cabrelli and Kruszewska 2024). However, that would come at the expense of corporate profits in the absence of real risk taking, through productive investment.

In most OECD nations, it has been observed that each of output per person and labour productivity has decoupled from real wages, in recent decades (OECD 2017). Likely a result of neoliberal policies, which encourage firms to seek lower-order comparative advantages through wage suppression, rather than investment to ensure profitability (Pischke 2005a; Acemoglu 2003). These policies are not only fundamentally inequitable, but they have diminished each of human capital, the incentive to invest in physical capital, and the incentive to invest in research and development. They have thus fundamentally undermined progress on productivity.

To be clear, if workers are expected to contribute to productivity growth, they must receive a fair share of the gains. Further, if they don't receive a fair share, productivity will not grow at the rate it otherwise would, owing to its effect on the health and wellbeing of workers and the incentive for firms to invest (Pischke 2005b; Grimm 2011; Doan et al. 2024; Flavel et al. 2022; Arribas Camara et al., n.d.).

Creating a skilled workforce

Building a skilled workforce requires a strong and freely accessible tertiary and vocational education system, as well as the opportunity for workers to afford the time necessary to achieve a skill for the first time, or to be upskilled. The benefits of skill development must also be recognised through fair compensation by employers. Without these factors, the rate of training and upskilling is likely to occur at a rate which will not maximise the potential of the workforce.

Our members are predominantly tradespeople. As such, we will focus on their experience, and the opportunity to complete apprenticeships. In recent decades, apprenticeship offerings have steadily declined per capita ("New Research" 2022). This is because many firms have no incentive to invest in training, as our current policy setting ensure the risk of not having a skilled workforce in the future isn't borne by them. For example, they can import overseas workers, the worse the skills shortage gets the greater the training subsidies they receive grow, or the more willing people are to engage in discussion regarding lowering education and training standards. The result is a weakening of our domestic skills base and fewer pathways for young Australians to enter and thrive in the trades. Consequently, policy settings must change to ensure that an incentive exists for firms to invest in training.

Moving to the issue of affordability in skills acquisition: as a first-year apprentice, you are typically paid at the award rate. This translates to annual earnings of between $27,762 and $44,432, depending on age. By comparison, the median cost of a one-bedroom flat in Greater Sydney was $33,800 per year as of June 2025.(NSW Department of Community and Justice 2025) The numbers simply don't add up. To live decently in Sydney today requires somewhere between $75,000 and $80,000 per year (AMWU 2025).

This reality forces apprentices into two options: either rely on financial support from their parents, something not all families can provide, or live in poverty. Poverty that directly harms apprentices' health and wellbeing, and which, for many, ultimately results in abandoning their apprenticeship altogether (Cohen et al. 2003). In a 2018 survey of our apprentice members, 73% identified low pay as their greatest challenge. This is likely a key factor behind the staggering near-50% non-completion rate for apprenticeships (Research 2024). This is a challenge that policymakers must address, for example, by directing current subsidies in areas of skills shortages to apprentices rather than to firms.

Finally, we must consider the question of financial reward and incentive for skill acquisition. Recent Australian research demonstrates that our labour markets are not competitive (Booth and Katic 2010; Hambur 2023; Leigh 2023). This means workers are not paid in line with the value they create for employers unless government intervenes (Hambur 2023). The evidence shows that lifting minimum wages and award rates, alongside enabling sectoral bargaining, are the most effective mechanisms for addressing these distortions (Acemoglu 2003; "Good Jobs versus Bad Jobs" 2025; Cabrelli and Kruszewska 2024). We would thus advocate for such policy interventions.

Incentives for firms to invest in workers

Both the AMWU and the Productivity Commission share the view that private firms are the primary actors responsible for the provision of apprenticeships and other forms of work-related training. The Productivity Commission, like the AMWU, believes that private firms are currently providing apprenticeships and other forms of work-related training at an inadequate rate. One of the responses to this challenge, which the Productivity Commission advocates for, is the provision of subsidies, particularly in areas of skills shortages. The risk of such a policy response, however, is that it creates a system where employers are rewarded with greater government funding the less they invest in training. These dynamic risks exacerbating the current problem: declining employer investment fuels the case for additional subsidies, creating a cycle of dependency. The moral hazard embedded in such an approach seems to have been overlooked.

At present, much of the skills shortage within the trades stems from the low rate of apprenticeship offerings. Most companies no longer provide apprenticeship programs at the scale they once did ("New Research" 2022). The reason lies in the incentive structure: firms are largely disconnected from the consequences of failing to invest in training. For years, many have instead lobbied for the liberalisation of skills recognition and skilled migration system, so as to maintain this disconnection. The Productivity Commission's support for such positions has likely harmed investment in training, the acquisition of skills, and by extension, productivity.

The idea that further subsidies should be introduced to address this problem is not one that we support. The "carrot" approach has been tried for decades through successive policies and has consistently failed to deliver the desired increase in apprenticeship numbers. The underlying issue is straightforward: private firms are concerned above all with profit. This is not a criticism of the business lobby or of individual companies. Under the Corporations Act, firms are legally obliged to act in the financial interests of their shareholders (Corporations Act 2001). The point is that unless policy settings make it unprofitable for firms not to invest in skills, they cannot and will not invest.

It is from this recognition that the discussion of a skills levy arises. Such a levy is, quite frankly, a necessary stick. The Productivity Commission's report observes that training levies have historically increased the number of businesses engaging in training but dismisses them on the grounds of administrative burdens for SMEs and reduced training hours in larger firms. However, the study it cites also notes that "a thorough evaluation of the training guarantee is beyond the scope of this paper," raising questions about the strength of the evidence relied upon for the Commission's conclusion (Teicher 1995).

Occupational entry requirements

Occupational entry requirements (OERs) play a critical role in ensuring both workplace safety and the quality of work performed. They give consumers confidence that when they purchase a service or product, that they are receiving value for money from a worker who has undergone proper training.

Despite this, the Productivity Commission has advocated for the removal of OERs in some sectors. As consumers, we naturally seek out professionals who have the skills required to perform a task to a high standard and in a safe manner. Take for example an auto mechanic. The fact that they must complete a certification process and undergo rigorous training is what gives consumers confidence that they are receiving value for money when purchasing a service. If occupational entry requirements in sectors such as automotive repair were removed, the result would be an entrenched information asymmetry in the market and a decline in efficiency (Akerlof 1970).

Moving on, the removal of OERs would likely undermine productivity and contribute to the deskilling of the workforce. Productivity on the human capital side is driven primarily by skills acquisition and health. Occupational entry requirements incentivise skills acquisition

(Lloyd and Payne 2018). Their removal would inevitably reduce the overall skill level of workers within a sector and therefore diminish sectoral productivity.

The Productivity Commission may argue that eliminating such requirements would encourage firms to increase investment in research and development or physical capital. However, the evidence does not support this claim. Over the past half century, the liberalisation of standards, reductions in tax rates, and similar reforms have not delivered capital deepening (World Bank Open Data, 2025.). Whilst international evidence shows human capital to be a key driver of investment in each of physical capital and research and development (López-Bazo and Moreno 2008; Diakodimitriou et al. 2025). What they have delivered is ballooning corporate profits.

The real effect of the Productivity Commission's proposal would likely be the devaluation of skills within industries, further undermining the bargaining power and wages of working Australians.

Expanding entry pathways into careers

The Productivity Commission contends that one of the primary barriers preventing workers from entering many professions is the requirement for formal qualifications. As they acknowledge, in some cases, this is entirely justified. For example, no one would want to be treated by a doctor who had not attended medical school. However, there are groups of workers, including many migrants, who possess the skills necessary to perform certain roles but lack the formal paperwork to prove it.

To ensure these workers can leverage their skills, policy reform is required. Such reform should not entrench information asymmetry in consumer markets (Akerlof 1970). We therefore propose a nationally consistent licensing scheme for certain skilled trades, similar to Canada's "Red Seal" program (Canada 2017). This would allow workers who hold overseas qualifications not currently recognised in Australia, or who have developed their expertise through informal pathways, to enter regulated sectors. Such a system would reduce barriers to employment while safeguarding both consumer confidence and workplace safety.

Institutional delivery

In most public policy courses, one of the first cautionary tales told is that of the cobras in the British Raj. The government offered rewards for dead cobras to reduce their population, but people began breeding cobras in order to kill them and claim the bounty. When the program ended, the now-worthless cobras were released, and the population increased further.

A similar problem arises with the use of subsidies for training in areas experiencing skills shortages. These subsidies have encouraged the growth of registered training organisations (RTOs) that often prioritise capturing funding over delivering meaningful training. This undermines the very purpose of an apprenticeship, which is to learn on the job while building a real relationship with a company. It has also led to the entry of low-quality providers into the market, offering minimal training and failing to genuinely upskill the workforce.

Recognition of prior learning (RPL) presents a related concern. The Productivity Commission acknowledges that RTOs have a financial incentive to limit RPL, since granting it reduces their fee income. This demonstrates the limitations of relying on for-profit providers in the vocational education and training sector. At the same time, it overlooks the broader purpose of the RPL system, which is designed to formally recognise existing skills and experience while maintaining the quality and integrity of training.

Institutional delivery does not fit in a competency-based learning system, which is what Australia's vocational education and training system utilizes. Competency-based learning requires the learner to apply the skills and knowledge in the workplace to attain competency. Institutional delivery does not have any workplace training component. To say an institutionally delivered qualification is comparable to an apprenticeship delivered qualification is incorrect and shows a lack of understanding and knowledge of competency-based learning. Consequently, we would submit that the considerations regarding RPL, which have been articulated by the Productivity Commission, are inadequate, as they fail to consider such complexities.

Front-loading apprenticeships

To address skills shortages, the Productivity Commission has proposed either accelerated apprenticeships or front-loaded training within apprenticeships. In both cases, the amount of time apprentices spend learning on the job would decrease. This would limit opportunities for the development of practical skills and reduce the depth of human capital formation. Apprenticeships rely on hands-on experience, and this component is essential for acquiring trade skills. It is therefore questionable whether reducing the time available for workplace skill development can be considered a viable response to productivity challenges.

With respect to the proposal for front-loaded training, this model appears likely to shift the costs and risks of training onto workers. While registered training organisations would receive additional income, employers would have fewer incentives to invest in the training of their employees. This runs counter to the Commission's stated aim of encouraging greater employer involvement in skills development and risks weakening both the acquisition and quality of skills.

Front-loading apprenticeship training is also inconsistent with the principles of competency-based learning, which underpins all apprenticeship pathways. Competency-based learning requires the integration of theoretical instruction with practical application in the workplace. These components cannot be meaningfully separated, as front-loading would require. The vocational education and training system moved away from this model decades ago, recognising its limitations. A return to such an approach would be unlikely to improve productivity outcomes.

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