

# SUBMISSION

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**Productivity Commission**

**Interim Report**

**National Agreement for Skills and Workforce Development Review**

**JULY 17 2020**

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**Australian Manufacturing Workers' Union**



Submission by:  
**Mr. Andrew Dettmer**  
National President  
Australian Manufacturing Workers' Union

Contact in relation to this submission:  
Ian Curry  
National Coordinator  
Skills, Training & Apprenticeships

## Introduction

The Australian Manufacturing Workers' Union welcomes the opportunity to make this submission in response to the Interim Report of the Productivity Commission review of the National Agreement for Skills and Workforce Development.

In making the submission, the AMWU supports and adopts the submissions of the ACTU to the extent that they are consistent with our own submissions.

## The AMWU

The Australian Manufacturing Workers' Union is the principal union for skilled manufacturing, engineering, printing, technical, automotive and food processing workers in Australia. Skilled technicians, tradespeople and apprentices comprise almost 65% of the AMWU's membership, and so the quality and effectiveness of the apprenticeship and vocational education & training systems are of enormous importance to them as they are to the remainder of the AMWU's members working in skilled jobs across the Australian economy.

The AMWU has a long and proud history of active engagement with the many bodies, both government and industry, that participate in the development, management, and regulation of the training system at both a state and national level.

The AMWU devotes significant resources to its involvement in the training system and this is a measure of the importance that the union's members place on skills and workforce development, the role that they play as drivers of the economy and the community, and the importance of effective management and regulation of the system.

We are concerned that the essential strengths of our training and apprenticeship systems are continually being eroded by market-oriented experiments that are failing to produce the skilled workers Australia needs.

## AMWU observations about the vocational education & development landscape in Australia

There are a number of observations that resonate strongly with manufacturing workers across the wide diversity of industries in which they work, whether they are automotive retail service & repair workers, printers, food processing workers, technicians, planners, supervisors, boilermakers or machinists:

1. Vocational skills are central to our ambition to create a well-educated, socially capable and resilient population with the skills to face the future.
2. Vocational education and training is essential to creating industries and enterprises that are responsive to changes in technology and the national and world economy, and which can compete globally and provide secure employment and career opportunities for workers.

3. A skilled and adaptable workforce, productively deploying its skills in the economy, represents a high value public good that is worthy of public investment.
4. Public investment in for-profit VET providers has failed to produce a skilled and adaptable workforce.
5. We need a well-resourced, high-performing VET sector in which industry and the broader community has absolute confidence.
6. TAFE, as a well-resourced, high-quality public provider, must be at the centre of the VET system going forward.

## The Problems

The VET system suffers from the lack of a clear and simply stated purpose.

Despite the fact **85.1%** of people engage with the VET system 'for employment related reasons', only **17.8%** are employed at a higher skill level after training.<sup>1</sup>

As quoted in the Interim Report<sup>2</sup>:

- employer satisfaction with nationally recognised training has decreased steadily over the past 10 years, from about 86 per cent in 2009 to 79 per cent in 2019. In contrast, while it has fluctuated, student satisfaction (which is not a NASWD measure) is high, and
- the proportion of government-funded VET graduates who have 'improved their employment status' after graduating — by becoming employed, becoming employed at a higher skill level, or receiving a job-related benefit — fell from 65 per cent in 2009 to 58.6 per cent in 2018

The system is failing to produce workers with the skills the economy needs.

- There is a lack of certainty in what the VET system is producing.
- The system is trying to serve too many masters.
- Industry, student and community confidence is declining.
- Evidence is emerging that we are returning to an economy constrained by skills shortages and a lack of employment and skills mobility.
- The number of people that complete their experiences with VET continues to stagnate.
- Industry and students lack confidence that their engagement with the VET sector will produce the outcomes that they seek.
- Confidence in the outcomes of current traineeships, trade apprenticeships and technical cadetships is diminishing, whilst support for the mechanism of Training Contracts remains strong.
- Increasing calls for flexibility and specialisation designed to meet the narrow interests of individual employers and the profit motives of private training providers, rather than the broader interests

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<sup>1</sup> [Productivity Commission Report on Government Services 2020 page 5.1 & 5.22](#)

<sup>2</sup> Productivity Commission Interim Report NASWD Review page 8

of the 'industry', are blurring the scope of key production, traditional trade, and technical vocations.

- Employers struggle to understand the capability they get from people holding vocational qualifications.

The result is a race to the bottom on cost and quality that is forcing high quality public and not-for-profit industry providers to join the race.

Students and employers have little chance of developing into the informed and demanding consumers our VET system desperately needs while the current levels of disconnect and incoherence prevail.

If we are to face the future with confidence, we need absolute certainty about what problem we are trying to solve and what role we expect of the VET system and TAFE as the public provider.

## Our Proposition

*"The primary purpose of the VET system is the production of skilled and adaptable workers productively employed in the economy in occupations related to their training."*

## The Interim Report

The Interim Report, whilst ostensibly dealing with workforce development, appears to place the overwhelming bulk of its attention on training. The broader concept of 'workforce development' is given scant attention. The role of skills in the workplace is given even less attention.

Training is not an end in itself, in our submission, but appears to be the focus of too much of the system as it stands.

The report misses the opportunity to examine alternative forms of workforce development associated with the role of skills in the context of workforce planning, skills recognition, skills mapping and occupational profiling.

There are still disturbingly high numbers of Australians who do not hold post school qualifications<sup>3</sup>, and this, combined with the apparent mismatch of others that do hold qualifications that are not directly relevant to the employment opportunities available to them, indicates that the focus and performance of training is letting us down.

Our apparent inability to analyse and predict skills needs going forward is, in the AMWU's submission, another consequence of our focus on training delivery rather than genuine workforce development.

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<sup>3</sup> [6227.0 – Education and Work, Australia, May 2019 ABS](#)

Our system needs to be driven by sophisticated demand analysis at the occupational and industry level rather than incentivising training, particularly through slavish adherence to market mechanisms that continue to fail us.

Time and resource constraints do not permit us to deal with the entirety of the report in this response, but we take the opportunity to address a number of themes.

## Information Requests

### INFORMATION REQUEST — IDENTIFYING AND ACTING ON SKILLS SHORTAGES

- *What are useful ways of defining and measuring the skills shortages (and surpluses) relevant to the VET sector?*

Skills shortages play out at the occupational level. The AMWU submits that industry and our training system have become mired in an expectation that is somehow the role of government to provide employers with a steady stream of 'work ready' skilled workers.

The words of John Dawkins, former Minister for Employment, Education & Training in 1987 could have been uttered yesterday and would still ring true:<sup>4</sup>

*"...Industry has been allowed to slip into the bad habit of regarding a skilled workforce as a free good. Skill shortages were something that could be made up for by importing or poaching, and a prime target for this latter activity was the public sector which took its training responsibilities more seriously than most.*

*I find it paradoxical that Australian business, which has much to answer for in whatever inadequacies are apparent in our training arrangements, is amongst the most vocal critics of alleged shortcomings in our education system."*

They contrast sharply with the words of one influential critic, Elwood Cubbly, whose 1905 views were not so different from some who even today prefer that people conform to the requirements of machines instead of the other way round.<sup>5</sup>:

*"Schools should be factories in which raw products, children, are to be shaped and formed into finished products ... manufactured like nails, and the specifications for manufacturing will come from government and industry."*

<sup>4</sup> John Dawkins, former Minister for Employment, Education & Training, in a speech to the Launch of Australia Reconstructed, July 29, 1987

<sup>5</sup> Elwood Cubbly who went on to become the Dean of Education at Stanford in his 1905 dissertation for Columbia Teachers College

In our submission, the greatest weakness in the system is those employers who think it is the taxpayer who should fund the development of the workforce they profit from.

Skilled and adaptable workers productively employed in the economy represent a high value public good. They, and the skills they use are not, however, a free public good.

Public policy should shift from subsidising employment, to growing economic and social capability in the interests of our society, not just the narrow interests of individual employers.

- *What factors are causing an apparently persistent shortage of skilled workers in some occupations, despite these occupations being a priority for government support?*

It is in the interests of some industries to maintain identifiable and persistent skills shortages to enable them to benefit from:

- Ready access to an entry level workforce trained by the taxpayer
- Ready access to subsidies and incentives that are aligned to skill shortage occupations
- Ready access to workers on temporary worker visas which are also aligned to skill shortage occupations

The public readily accepts that the supply of medical practitioners is effectively controlled by doctor's associations and medical schools. They have difficulty understanding that similar approaches by some employers have led to persistent "skill shortages" in order that the public purse can be accessed to obtain a ready source of funding for training.

- *To what extent are skills forecasts based on future industry growth a useful and reliable basis for providing course subsidies?*
- *In what circumstances do skills shortages justify course and employer subsidies and at what level of granularity?*

In our submission, it is the occupation and employment that should be the ultimate focus of government support, not 'courses'. Our training system does not, or should not, exist solely to support employers.

It is building high quality employment and economic and social capability, not the mere delivery of training that should be valued.

It is self-interest and the absence of effective industry capability in skills analysis and workforce planning that is leading to persistent skills shortages. Pressure is then applied on the training package development system to deliver high quality training products into an environment wracked by jurisdictional dysfunction with states and territories micro managing large swathes of the activity, and their competing priorities and unrealistic timeframes.

We do not have an industry led system.

In contrast, the German system, which sets federal standards for Competency, National Framework Curriculum and workplace training standards, expects the work to be concluded (by industry) in a 2 year period. It does this in a Federation of 16 states. Accuracy and engagement, rather than 'speed to market' appear to their priorities.

The example found in the NASWD interim report is a good case study for some of the weaknesses and inconsistencies in our approach.

*"For instance, in considering child care occupations in 2018, the Department of Jobs and Small Business found that two thirds of qualified applicants were unsuitable because of insufficient experience in child care or a specific aspect of the job, they submitted a poor application, or lacked communications skills or other general employability skills (DJSB 2019). This problem will not be remedied by increasing the number of graduates with the relevant qualifications"*<sup>6</sup>

The example exposes the reality that the expectation of employers in the early childhood/childcare sector in relation to 'experience in childcare or a specific aspect of the job' appears to be that not only should 'someone' produce 'work ready', qualified applicants from which they get to choose the best and brightest, they want them to be experienced in childcare, while refusing to consider them worthy of offering that experience to.

And all in one of the lowest-paid industries in Australia

It is entirely reminiscent of the mining industry during the mining boom who insisted that prospective tradespersons have 5 years' experience in the industry even though the industry trained less than 50% of the qualified tradespersons it required.

The alignment of skills and knowledge, and the ability to apply that knowledge to the standard expected in employment to the requirements of the occupation is the task of training package developers. In this example, the expectations of employers would appear to confirm that the *'problem will not be remedied by increasing the number of graduates with the relevant qualifications'*.

The AMWU does not believe that training is, should or can ever be a "market." The suggestion that skills and education can be bought and sold like any other product fails any test of what comprises a properly functioning market comprises.

The training market, operating exactly as intended, where industry is free to set high quality occupational standards, and quality training providers deliver and to assess against those standards will never overcome the unrealistic expectations of some employers who continue to believe it is someone else's responsibility to provide them with a skilled workforce.

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<sup>6</sup> Productivity Commission Interim Report NASWD Review page 113



Training Packages exist for the purpose of establishing occupational standards.

They are no substitute for a proper primary or secondary education, nor are they a substitute for high quality, curriculum-based pre-vocational or pre-apprenticeship education delivered by professional teachers.

Training Packages are the answer to occupational standards, not the answer to deficiencies in literacy, numeracy, foundation skills, school retention or the other myriad conundrums that we appear intent on resolving through the misuse of Training Packages

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*INFORMATION REQUEST — IMPLEMENTING NEW SUPPORT ARRANGEMENTS FOR TRADE APPRENTICESHIPS*

*In assessing the merits of option 6.5:*

- *does the nature and size of the ‘apprenticeship problem’ merit new policy measures?*

The AMWU submits that the so-called apprenticeship problem’ is not one that merits new policy measures, Rather it requires a restoration of the original motivation for apprenticeship in the first place.

The Federal Court described apprenticeship in the following quaint terms:

*“... the contract of apprenticeship remains a distinct entity known to the common law. Its first purpose is training, the execution of work for the employer is secondary.”<sup>7</sup>*

Regardless of the quaintness of the language the AMWU believes strongly that it accurately reflects the motivation that should drive participation in an apprenticeship.

If we are to produce the tradespersons and other skilled workers who have the skills required to meet the occupational standard, as well as the ‘experience’ employers appear to require, an employment-based leaning model such as an apprenticeship, cadetship or traineeship is vital.

We have been avoiding the reality that that there are no quick fixes that would produce the large numbers of skilled and adaptable we need both cheaply and quickly.

- *how significant is ‘poaching’ as a problem that would justify industry levies?*

Poaching is not the issue. It is declining respect for the importance of high-quality learning experiences combined with ready access to temporary worker visa holders that have lulled industry into the slip into the bad habit of regarding a skilled workforce as a free good.

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7 (Wallace v CA Roofing Services Ltd [1996] IRLR 435) cited in Construction, Forestry, Mining & Energy Union (Construction and General Division) v The Master Builders Group Training Scheme Inc [FCAFC] 165)

- *how effective are levies in increasing apprenticeships?*

The failure of the Training Guarantee levy was a failure of system design. The levy should have been focused at the industry level and restricted to funding of nationally recognised training for full qualifications.

Levies at the industry level, that recognise and reward those who are meeting their replacement level of apprenticeship training are important price signals and confirmation that it is not the job of taxpayers to take up the slack for employers lack of commitment to their own future.

- *are there other reasons for using industry levies?*

The AMWU believes that current levels of public funding are woefully inadequate, and a levy is required to supplement the funding required to ensure that training is producing worker able to meet the occupational standards. Any levy established should be at the occupational level and be the subject of bipartite industry oversight.

- *how would the problems of administrative complexity for some existing levies be addressed?*

The compelling need is to lift the training effort to ensure that the economy we are seeking to build in order to give us the future we seek has the skilled workers it requires to succeed. The production of such a workforce, currently consuming over \$6 billion, will have a complexity associated with it that needs to be dealt with.

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#### INFORMATION REQUEST — FLEXIBILITY ALLOWED BY TRAINING PACKAGES

*How could the approach to developing training packages more effectively manage the trade-offs between consistency and flexibility?*

*The process of developing training packages **is intended to ensure national consistency in qualifications and quality assurance**. This, in turn, facilitates the portability of skilled labour and the matching of skill requirements needed by industry and others from a bigger pool of workers. However, agreement on training packages requires time-consuming vetting by multiple parties, delaying delivery to market. Moreover, the need for consistency can restrict flexibility and deter innovation ....<sup>8</sup>*

We disagree that the intention of Training Packages is to “ensure consistency in qualifications and quality assurance’. Our contention is that Training Packages exist for many purposes, not least of which included:

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<sup>8</sup> Productivity Commission Interim Report NASWD Review page 211

- meeting the requirements of the Structural Efficiency Principle and Award Restructuring:
  - The establishment of skill related career paths which provide an incentive for workers to continue to participate in skill formation
  - The elimination of impediments to multi-skilling and a broadening of the range of tasks that a worker would be required to perform.
  - The establishment of appropriate relativities both within and between awards.
  - Improvements in productivity, efficiency and the international competitiveness of the industry and,
  - The provision of more varied, fulfilling and better paid jobs.
- Acting as the basis for determining the value of a worker's contribution to work.
- Determining the standard to be met by the training system

The very terminology that the bureaucracy applied in calling competency standards 'Training Packages' is misleading and problematic.

Training Packages are no substitute for a proper primary or secondary education, nor are they a substitute for high quality, curriculum-based pre-vocational or pre-apprenticeship education delivered by professional teachers.

Training Package qualifications are the answer to the establishment of occupational standards, not the answer to deficiencies in literacy, numeracy, foundation skills, school retention or the other myriad conundrums that we appear intent on resolving through the misuse of Training Packages.

*"Other participants argued that the narrow definition of training package products — qualifications and 'units of competency' targeted to job-specific skills and job readiness — are a barrier to a flexible and adaptable VET system, and limit mobility across occupations and industries ..."*

The AMWU 's view is that the desire for flexibility in Training Package qualifications is an ideologically driven desire that has diverted Training Packages from their primary purpose which is the establishment of occupational standards for industry. The extent of flexibility required to be included in Training Package qualifications is fundamentally inconsistent with the concept of an occupational standard.

We state further that the extent of flexibility required is a flexibility that is more often than not exercised by training providers not the primary users of Training Packages, students and their employers.

In any event, the contest should not be between 'consistency' and 'flexibility', it should be between 'certainty' and 'flexibility'.

We say the pendulum has been dragged too far in pursuit of flexibility, when the users are crying out for certainty. Confidence in the training system has been seriously damaged and the establishment of greater certainty will be an important precondition for its restoration.

Flexibility is important, but it must be a flexibility that is both able to be exercised by the student (and where relevant their employer) and be consistent with the notion of a standard.

*They pointed to the fewer than 30 per cent of VET graduates working in the same occupation as their qualification as a sign that narrowly focused training packages are not meeting labour market needs.<sup>9</sup>*

The AMWU acknowledges that too many of the qualifications and other training products in the system represent solutions looking for problems, and do not represent properly constructed occupational standards designed to meet the needs of the occupation.

Additionally, too much of the delivery is delivered out of context or without regard to the ultimate end use of the qualification.

This should not be taken to be criticisms of Training Packages per se.

There are too many qualifications that claim status as generic 'pathway' qualifications that have tenuous links with occupations or are designed to meet funding aspirations.

There are, however, areas that we would agree that Training Package qualifications are not necessarily the ideal vehicle for building and acknowledging occupational capability.

These might include jobs where the work is narrow, fragmented, and where there is little consistency required across the industry.

Training Packages have lost their focus on occupations.

## The role of the states

The very worst of the Australian Federation plays out in the Training Package Development and vocational education spaces.

Far from being an industry led system, every significant decision relies on states and territories.

The standards for training packages, the construction of Industry Skills Forecasts, Cases for Change, the mandating of emphasis on skill sets and micro credentials, the prioritisation of Activity Orders

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<sup>9</sup> Productivity Commission Interim Report NASWD Review page 212

and the morass that is the endorsement process for training package Cases for Endorsement are subject to the whims of the states and territories.

No sensible discussion about speed to market issues is complete without a detailed analysis of the role of state and territory bureaucracies.

Whilst states and territories have legitimate authority over what they choose to fund, it is much harder to legitimise any authority they may have over the design of occupational standards which set the standard for effective performance in employment.

Time and resources prevent us from giving this issue the attention it deserves in this submission, but we are concerned that the interim report avoided the issue.

## System Funding

The report is correct in saying that the funding of the system is complex. The AMWU believes that much of the difficulty associated with funding results from the inappropriate attachment of funding to the occupational standard, rather than the more readily identifiable cost that attaches to the delivery of training and assessment.

The absence of nationally consistent Framework Curriculum, such as that which exists in Europe and Nordic countries means that the design and structure of competency standards (and their relationship to qualifications) ultimately determine the nominal duration of training notwithstanding the substantial incompatibility that exists in the respective constructs.

It is our view that if the purpose of the VET system is as we posit earlier in this submission:

*“The primary purpose of the VET system is the production of skilled and adaptable workers productively employed in the economy in occupations related to their training.”*

the system funding must be structured so as to fund the result, not the inputs based on nominal hours.

## Vouchers

The AMWU supports and adopts the criticisms the ACTU has made in its submissions about the use of vouchers and the damage that they have already done through VET-FEE-HELP, and the damage they would do if they were expanded.

The absence of any proper analysis of employer expenditure in the report is disappointing and that omission further consolidates our view that more attention must be given to proper contributions from employers, as the consumers of skills, through industry levies and them having to directly fund training that is narrowly focused on their own needs as an employer.

It is skilled workers whose skills are portable and transferable, that should be the focus of taxpayer funding support, along with those employers who invest in their workforce through nationally recognised training.

There is little evidence to support theories about competition improving either the quality or the cost of training, let alone the robustness of the outcomes.

The AMWU was staggered to hear that with the stroke of a pen, \$2 billion of taxpayer funded VET-Fee-HELP loans were written off by Minister Birmingham in the midst of the VET-FEE-HELP disaster without corresponding mass arrests, court appearances and convictions, and long queues of people surrendering at the gates of prisons across the country.

It is nonsense to suggest that a 'market' could operate in a field so dominated by taxpayer funds.

**End**