

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

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Date Received: 12/08/2005

Theme:

Summary



**Inquiry into Skills Shortages in Rural and
Regional NSW**

Submission by Unions NSW

12 August 2005

Introduction

Unions NSW represents over 700,000 workers plus their families across NSW. It aims to enhance the quality of working life for all workers in NSW.

Our submission to the Inquiry seeks to address the following issues:

- current and future labour needs,
- the impact of skills shortages,
- the effectiveness of the Commonwealth's regional migration program,
- co-ordination between local, State and Federal Governments,
- methods used by training organisations to identify regional skills needs and,
- the adequacy of current measures to report on skills shortages.

We submit that strong regional and rural communities need quality services and quality jobs with good pay, conditions and training as essential to that. Our submission to the inquiry aims to highlight how important skills development and training in regional areas is to the health of communities.

Current and Future Labour Needs

Demographic change in NSW impacts heavily on the demands for skills by type and locality. Of particular relevance is the movement of younger people away from some rural areas and the increase in pre and post retirement settlement along the coast. The coastal strip, particularly north from Newcastle has seen rapid growth in the last twenty years. Demographers such as Hugo (have been discussing this for some time. This population growth is specific with growth in the pre and post retirement sections of the population (50 plus). In contrast, other areas of regional NSW have seen a hollowing out of the younger age groups (15-24) because of the decline in rural employment in manufacturing, the agricultural sector and employment and training through government instrumentalities (former county councils, railways, telecommunications for example). The centralisation of services to larger rural centres (Dubbo, Wagga Wagga, Albury) has also impacted on the population profiles of satellite towns and villages.

Social and Economic Impact

The social and economic of shortages is marked. The net shift in population from rural to the cities is especially marked in the 15-24 age range (see Hugo 2000). This coupled with the decline in regional manufacturing and in apprenticeships generally have a significant social impact on rural communities.

Rural services cutbacks not prompted by changing locality but have the effect of reducing reasons to stay in rural areas. Governments have argued for reducing services because of population shifts but it can also be argued that the population shifts have been made greater because of the cutbacks of these services.

Along with the decline and re-orientation of rural areas, we have seen the Australian economy growing because of labour productivity growth and moderate levels of wage increase since 1993. The mining and minerals processing sectors, utilities, communications, construction, manufacturing and tourism have all been growth sectors. This has increased the demand for skills. (Toner 2005). In that same period there has been a **decline** in the training rate of 16% compared to the rate from 1980s early 1990s.

Corporatisation of electricity, Telstra and rail maintenance had a large impact on apprentice numbers. The electricity authorities are addressing this concern but it has not reached anywhere near previous peaks. The current outcry over rural telecommunications infrastructure highlights the decline in rural services and maintenance, and thus the need for skilled workers.

The decline in rural manufacturing in centres such as Orange, Wagga Wagga, Albury so less skilled trades required in manufacturing plant, and also decline in demand for consumer services: mechanics, carpenters, electricians. The impact of plant closure on a regional community can be massive and have a much greater impact on the social and economic infrastructure of such communities than would such closure have in Sydney, because of the larger proportion of the population directly impacted by the changes and the limited capacity of a smaller regional economy to absorb the e

The other side of the coin to these declines has been the demand for different skills in particular regions. Tourism development creates demands for hospitality industry workers, and an aging population profile creates demands for nursing, aged care. Workers in these industries would also need trained child care workers, for example. A smaller example of this in some non-coastal: ie Hunter Valley, Central and Southern Tablelands.

So we have seen growth areas experience a greater need for such services, but employers in other areas have greater difficulty covering the labour costs of apprentices. The underlines the importance of being aware that rural and regional NSW be considered by region and locality, and not with a broad-brush approach.

Government Role in Co-ordination and Promotion

The **Regional Migration Program**: The sorts of incentives needed to encourage migration of skilled workers involve job stability, a decent guaranteed wage and employment system. The federal govt's changes to IR laws and the proposed new wave of changes undermine these crucial factors. Quality jobs with access to training, career progression and wage progression are explicitly undermined by proposals to strip skills classifications from awards, and to remove protection for employees from rogue employers.

Skills shortages have been well documented (see Toner 2005). The reasons for being concerned with skill shortages include the constraints shortages place on output and investment, they lead to wage cost inflation and lower the rate of product and process innovation across the economy.

This is a common problem across most developed economies, so the notion of attracting skilled migrant from OS to regional areas is increasingly difficult.

The federal government policy proposals announced this year for workplace regulation and skills shortages will be counter productive. An example of the approach is illustrated in Workers Online (issue 275) who take the low wage low cost approach to dealing with impact of globalisation on skill requirements. The example is of an Ipswich fabricator going to the Philippines to look for 10 welders, claiming they cannot find the workers in Australia. This is because they are paying \$19.20 per hour, while other companies in more convenient locations are paying between \$20.50 and \$22 per hour. It illustrates the danger of the changed regulatory pattern the federal govt prefers.

The regional migration program also needs to be aware of the same sorts of issues skills for regional areas need ie data on demographic change and the consequent need for particular skills in particular areas.

Victorian Government Approach

The Victorian Government has developed a grant-based approach, targeting 11 centres based around larger regional centres such as Ballarat. (see Victorian Government 2004).

We would argue that the grant approach can provide much needed funds, but the competitive approach with its winner take all strategy can work against analysis of needs and thus targeting using data collection and analysis based on regional collections of data, Census based Community Profiles a useful starting point (see Census information at www.abs.gov.au)

The area consultative committees used in the Victorian government approach provide a valuable model of co-ordination and data collection and analysis.

There have been increases in recent years in apprentices in NSW, an encouraging sign for state productivity, employment and economic growth, after concerns that NSW was falling behind. Between 2002 and 2004 the level of apprentice approvals increased by 28% (Toner 2004). Increases have occurred across a number of fields: construction, electricity, manufacturing and engineering, hairdressing, horticulture, landscaping, furnishing trades and food.

Co-ordination is crucial between levels of government and between government agencies and larger employers. The federal governments new technical colleges are a large backward step in this regard as they make no attempt to co-ordinate with the existing extensive TAFE network or with schools providing skills training. It simply imposes another level and a complicating factor for students and trainees in determining career paths. What basis has been provided for recognition of prior learning, or the standards setting across the different systems. The federal government is claiming that a unitary system is essential in the IR system, but has added an extra hurdle to the training system.

Training organisations need to use the extensive data collection resource of the Census, plus ABS monthly and quarterly analyses of labour force, data, unemployment data, transition for education to work surveys.

TAFE colleges, organised as regional in states in NSW could also play a role in collecting information and analysing it to determine the skill requirements and thus training requirements.

This would require funding increases to the TAFE network.

The innovative approaches taken in NSW, resisting quick fix solutions for the sake of statistics but concentration on the "high road" approach to practical and theoretical knowledge has been a major factor.

Federal Government:

The NSW government has progressive industrial laws in place. NSW is the driver of the Australian economy, its industrial relations system is not a hindrance to economic development. Rather its fostering of active employer-union negotiation are a large step along the path to social partnership that enhances social equity and can, with research, networking and continued collaboration, ensure that we are a part of the emerging global knowledge based manufacturing and information technology society. The suggestions for partial trade certificates coming from the proposed Australian technical colleges have the potential to directly undermine the innovative and high road approach that has developed in NSW

Group Training

Hence the need for **group training** and serious consideration of government funding. Reduction of govt services has had a large impact.

Group training arrangements involve situations in which "apprentices or trainees are employed by one company (termed a group training scheme") but continuously placed with other enterprises (termed host employers) for the purposes of their on the job training" (ANTA quoted in Buchanan and Evesson, 2004)

Group Training Organisations (GTOs) help labour market arrangements work better and add new dimensions to their operations.

Service sector work is a changing field because of changing lifestyles and changing technologies. GTOs can have an active role to play in regional areas as they change their character because of their greater resources and their ability to establish standards for flexibility.

The role of local governments in developing data around job matching would also directly link with GTOs.

The other crucial links needed for rural group training is the need accommodation allowances, especially when training does involve extensive travel to other centres and to Sydney, Newcastle or Wollongong for some aspects of training.

The role of local government is crucial with access to local knowledge, as an employer with ability to take up apprentices, but with major constraints to their budgets. Incentives from state and federal governments via regional grant funding, a levy on wages for training, and linkages between local government (as in the example of the Western Sydney Regional Organisation of Councils) to share resources, develop GTOs or to assist them so that potential trainees can have more secure employment in local regions.

The changed regulatory environment over the past twenty years and the ethos of competition has particular impacts on rural areas. Compulsory Competitive Tendering is one example of the impact of so-called economic rationalism. The mandatory, inflexible and time-pressured nature of CCT implementation is making it difficult for some Councils to perform one of their key functions conferred under the Local Government Act - namely to govern effectively in the interests of their community. It seems that on the one hand Councils are being told they have a key responsibility for the leadership, strategic direction, integrated planning, economic prosperity, social cohesiveness and delivery of excellent services for their local communities; yet on the other hand required to implement competitive tendering within a framework and timeframe which reduces the flexibility of their organisation and compels them at times to act against the economic interests of their local businesses and community. In some cases, it means Councils having to consciously set their municipalities into decline in order to comply with CCT requirements. (Tesdaorf 2000)

The High Road to Social and Economic Growth: Industry Policy and Regional Policy

Toner's work has shown the direct impact qualified trades develop make to productivity and economic growth and the role manufacturing industry plays in all other sectors of the economy. Thus a commitment as has been developed to vocational training is important.

"[M]anufacturing industry has a number of inter-related characteristics which, taken individually or collectively, provide an important case for its continuing significance in the Australian economy. Firstly, there is the crucial role in technical change through high levels of research and development and product and process innovation. This innovation is not only important in raising the productivity of manufacturing industry, but the diffusion of these products to all industries economy-wide efficiency and innovation. Secondly manufacturing industry accounts for 50% of long-run productivity growth in the Australian economy. Thirdly, manufacturing has a key role in the maintenance of high wage employment." (Toner: JAPE no 45, 2000)

These linkages are important in our era of "globalisation" as George Argyrous (2000) says:

"Australian-based firms can be competitive in the production of mass produced goods, but not through the low road strategy of cheapening labour and lowering standards". Globalisation had made the high road strategy of high tech, high

productivity and economies of scale even more necessary. Small scale producers of high value commodities interacting with mass producers is the role to a successful global manufacturing industry in Australia, in his view.

Consultative mechanisms between employers, employees and governments at all levels are a requirement in the European Union. Roy Green has emphasised that "This emerging innovation narrative is not just about technology but also institutional support and, crucially, effective delivery at the organisational level." (Green, 2004):

Co-ordinating between state, local and fed governments could do much to ensure this is ongoing, that skills are transferable between regions and institutions.

The further development of **pre-vocational training in schools** will also be especially beneficial to rural NSW. This can also prove the importance of planning and data collection to ensure appropriate courses are on offer in regions.

VET in Schools

Unions NSW support the initiative of the NSW Government to encourage VET in schools. This allows students to undertake a part of their training for an apprenticeship or traineeship while studying for their HSC, and have them more job-ready. This is an approach that operates in Germany and other European countries.

It is only worthwhile however if it is properly resourced and aligned with the priorities of the State and industry. The school students that undertake the program and the local regional and rural industries need to be confident that the courses offered will reflect the skills that are in demand and therefore that there is a realistic opportunity of employment; that the students will be competent to the standard required for their chosen occupation; and that the courses offered attract industry credibility.

Further, there must be proper award protections for school students undertaking VET in schools, as that is effectively a part-time school based apprenticeship. This is necessary to avoid exploitation of these young students who have no bargaining power. The NSW Department of Education and Training has advised Unions NSW that it seeks to provide for part-time apprenticeships in industrial awards, and discussions are currently taking place. However, Unions NSW does not support the extension of part-time provisions to existing employees or school leavers.

Apprenticeship and Traineeship Flexibility

We attach much skepticism to the term 'flexibility'. Flexibility should not be the main determinant of how apprenticeships and traineeships are structured and a higher value placed on this above the quality of on and off the job training. It must also serve all parties, employers as well as apprentices and trainees. We are concerned that if too high a value is placed on ensuring that apprenticeships and traineeships are as flexible as possible, especially with the suggestion to reduce the nominal term of

apprenticeships and traineeships and to reform the training package arrangements to support part qualifications, having very highly skilled trades people will be sacrificed.

In the global economy, where we should be preparing to compete in the global market with superior skills and knowledge, it is important that we do not jeopardise this by taking the low road approach to training and not adequately invest in a highly skilled workforce.

However, we do acknowledge that there is room for more apprenticeship flexibility. With the onset of new technologies that are constantly redefining traditional trades, and the skills shortage crisis, the traditional time-based approach to apprenticeship employment does not necessarily serve apprentices, trainees or their employers. A competency-based approach to apprenticeships and traineeships already exists in a number of industries and this form of flexibility could help ease some of the skill shortage concerns, especially in regional and rural areas where it is acutely felt.

A competency based approach to apprenticeships and traineeships is already supported and encouraged by *The NSW Apprenticeship and Traineeship Act 2001*), although at present only a small percentage of students complete early. In 2004, 9.7% of traditional NSW apprentices completed early. Apprenticeship and traineeship employment provisions in industrial awards and agreements do not provide for competency-based progression. Unions NSW is currently discussing with the NSW Department of Education of Training whether industrial arrangements can provide more flexibility in this regard.

We would also urge the connection between traineeships and apprenticeships, denying the labelling of traineeships as new apprenticeships the low road approach when clearly the career path for example, from waiter (traineeship level) to apprentice chef and chef is preferable for skills, quality job and transferability.

The same approach would be applicable to nursing assistants to full nursing training.

Some local councils have developed regional marketing and promoting bodies, with varying degrees of success.

Comprehensive data collection should also move in the directions illustrated by Sharon Pepperdine (2000) in a study in Victoria looking at social indicators: "The notion of social capital is an often overlooked factor in settlement patterns. A good place to live is important to most of us, and the provision of services, social and physical infrastructure. Rural communities use these issues for regional promotion. Tourism promotion also plays on this factor, and quality services to hospitality users boost income, employment and potentially training."

CONCLUSION

The Future of Australian Country Towns Conference (Communique June 2000) communiqué broadly made the same points on the importance of communications, co-ordination and locality based information and enterprise:

The agenda for action must include:

Local Enterprise - Self Awareness

Build Capacity - Ability to Work as a Team

Empower Communities - Strive for Shared Outcomes

Clearly the NSW government approach outlined by the Standing Committee on State Development allows these aspects to be applied to skills developments. Unions NSW would urge consultation, co-operation and co-ordination to ensure that structured flexibility in labour markets ensure quality training, jobs and community.

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