CORRECTED TRANSCRIPT

REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NEW SOUTH WALES

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At Sydney on Friday 17 February 2006

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The Committee met at 10.00 a.m.

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PRESENT

The Hon. A. Catanzariti (Chair)

Mr G. J. Donnelly
The Hon. P. Forsythe
The Hon. C. M. Robertson

ANTHONY MICHAEL DWYER, Education and Training Adviser, Rural Skills Australia, 14-16 Brisbane Avenue, Barton, Australian Capital Territory,

WAYNE ALWYN CORNISH, Chairperson, Rural Skills Australia, 14-16 Brisbane Avenue, Barton, Australian Capital Territory, and

GEOFFREY MICHAEL BLOOM, Executive Director, Rural Skills Australia, 14-16 Brisbane Avenue, Barton, Australian Capital Territory, sworn and examined:

CHAIR: Would any of you like to make a brief opening statement?

Mr CORNISH: I would like to do that. Firstly, I wish to thank the Committee secretariat for the invitation to give evidence to the Standing Committee on State Development's inquiry into skills shortages in rural and regional New South Wales. In my capacity as chair of Rural Skills Australia, a not-for-profit incorporated association involved primarily in the promotion of rural and related education and training, and as the former chair of the Commonwealth funded rural industry working group that considered rural industry skill and labour shortages in 2001 and more recently as the chair of the rural industry task force that was established as part of the Australian Government's national industry skills initiative, I believe I may be able to provide Committee members with some information and advice which may assist your deliberations.

In addition, I am also a rural industry representative on the Agrifood Industry Skills Council recently established by the Commonwealth at the national level. I am also a former vice president of the National Farmers Federation and a practising farmer, although hopefully I have got beyond the practising part and I can actually do it.

With the Chair's approval I would like to submit some written comments from Rural Skills Australia that may have relevance to the matters being considered by the inquiry, together with a number of supporting attachments that demonstrate the variety, scope and nature of work undertaken by Rural Skills Australia to promote rural and related careers, education and training. Most of our association's work has been funded by the Australian Government through the Department of Education, Science and Training.

These attachments include: "A Guide to Rural Production and Amenity Horticulture Training Packages"; A summary of New South Wales rural and related traineeships and apprenticeship commencements, together with a breakdown by qualification and level for the last 5½ financial years, a Rural Skills Australia employer promotional pack, copies of the following reports: "Skills Needs for Rural Industry 2001", "Rural Industry Task Force Report for 2001-2003 and report's summary "Back to Skills: redressing current and emerging skill shortages in rural industries.

Committee members would be well aware of the detrimental effects that the recent drought has had on rural employment over the last two to three years. The National Farmers Federation estimates 80,000 to 100,000 rural and related job losses as a consequence, which undoubtedly in time will impact significantly on the capacity of rural industries to recover and return to pre-drought production levels. Many industry people are expecting many sectors to take two to three years to recover. This time frame indicates that future training efforts will need to focus not only on new entrants at entry-level and beyond but further upskilling of current staff to meet projected requirements.

Improved approaches to land management, water and fodder conservation will undoubtedly be high priorities. It is heartening that despite continuing less than favourable season conditions, in many areas of New South Wales during the 2004-05 financial year, New South Wales agricultural traineeship numbers increased by almost 33.8 per cent on those of 2003-04, and a staggering 88.4 per cent increase on those of 2002-03.

Committee members should note that this outstanding growth in agricultural traineeships has occurred despite the drought that at one time affected almost 90 per cent of the State. The removal of State Government funded workers compensation cover for new entrants trainees and the introduction of traineeship administration fees of up to $350 per annum from 1 January 2004. These positive

developments clearly indicate a growing acceptance within agricultural industry sectors of the value and capacity of New Apprenticeships—traineeships and apprenticeships—pathways to assist with the resolution of skill shortages by skilling new entrants and up-skilling existing workers, despite the continuing effects of the worst drought in Australia's history.

Continuing difficulties in attracting new entrants to careers in rural industries will undoubtedly necessitate in time a significant shift of focus and resources to fast-track the up-skilling and reskilling of existing workers in the rural work force and perhaps an extended range of migration programs. In our view it is vitally important that the New South Wales Government maintain and enhance the capacity of registered training organisations to accommodate and fund traineeships and apprenticeship training delivery through the allocation and application of sufficient resources so as to negate the current requirements and practice of levying significant types of fees of individual trainees and apprentices.

Another approach that could be adopted by the New South Wales Government would be the establishment and introduction of a fees rebate scheme or a special trainee or apprentice training fees payment for trainees and apprentices in rural and regional New South Wales. This would complement the existing Australian Government rural and regional incentive paid to employers. Despite opportunities for persons to seek formal recognition of their skills, knowledge and capacity through regional recognition of current competencies [RCC] or recognition of prior learning [RPL] it is well recognised that progress towards establishing readily accessible, user-friendly and affordable RPL or RCC processes for farmers and their employees has generally been slow. In our view, further development activity is urgently required to facilitate and encourage greater industry and RTO involvement with RPL or RCC processes so that skills are better identified for legislative quality assurance and other purposes. Thank you again for allowing us to appear before you and we thank you for the specific invitation to do that.

CHAIR: Could you explain to the Committee what your role is, what your objectives are and how the representatives of the various agricultural and horticultural bodies and other stakeholders work together to achieve those objectives?

Mr BLOOM: I might just give you a little bit of a history of how Rural Skills Australia became a body. Back in 1995 there was a national employment training task force that was put together at the Commonwealth level. Lindsay Fox was the chairman of it and from that initiative they formed something like 20 industry training companies and this one was formed as one of those 20. The prime purpose at that stage was to promote traineeships because, although traineeships had been around for six or seven years at that time, the take-up was not very great so Rural Skills Australia was born through that.

The main partners in Rural Skills Australia are the National Farmers Federation, the Rural Training Council of Australia and the Australian Workers Union. They are the three that comprise the board. We also have the Sheep Meat Council and the Grains Council as the fifth member. It is an incorporated association in the Australian Capital Territory. We were paid a fee per trainee number. We were actually out there promoting traineeships and agriculture and horticulture, working with registered training organisations, try to get traineeships off the ground. That was quite successful.

We appointed some field officers and we have one in each State and one in the Northern Territory. These people knew what the training package would provide to the employer. They could advise on the wages that would be paid, they could advise on the incentives and we were there to push people in the right direction so that they understood it. It was a very successful program. When we first started, there were about 400 commencements in agriculture in 1994 and in three years the numbers, including horticulture, were up to 3,000, and from the figures we have provided to you they were just the New South Wales ones.

When the Liberal Party took over, that scheme was changed. The CES was abolished and was contracted out to new apprenticeship centres. From there we were given some grants by the Commonwealth Government and those grants were restricted to the Australian Chamber of Commerce and Industry, the Australian Industry Group and the National Farmers Federation to promote traineeships to employers. The new apprenticeship centres had the role of the sign-up and to promote to young people. Older people could be new apprentices as well. That is how we evolved. We still

have a structure of one education training officer in each State—our Victorian man services Tasmania. We have also undertaken some work with schools in pushing careers. Up until November last year we had six of those, plus a co-ordinator, and they were out there working with schools to assist in work placements in agriculture and horticulture to assist in promoting new apprenticeships, in general trying to be an extra pair of arms and legs for anyone who need assistance. We realise that schools and careers officers are very busy and we have the special need that to get them out to a farm and to get them back you have to make contact with the employer and you have got have a go-between to be able to do it.

That project has just ended. In the recent tender process that the Commonwealth has funded, which is the regional industries careers advice, we have won six of those tenders out of 57. We actually have not got a very good spread statewise. We actually have three in Western Australia, one in South Australia and two in New South Wales. One is located at Dubbo—we have just appointed that person—and we have got one located at Tamworth. We do not have anything in Queensland. We also won a national contract to provide careers advice nationally for the agrifood industries, which comprise agriculture and horticulture, meat, seafood, grazing and food processing. That is a bit of history of where we have come from. We are an incorporated association in the ACT, where our head office is. We work in the National Farmers Federation building.

CHAIR: Does that co-ordination work reasonably well?

Mr BLOOM: Yes. We have had considerable experience trying to manage offices away from Canberra. I am located there and Tony is now located there as well. He covers New South Wales from that office and we have another national co-ordinator there. We operate out of about 12 different locations around the States. With some of the contracts we have won we have usually gone into partnership in a location. We have a guy in Shepparton who is in with the Area Consultative Committee there. In Dubbo we are with a local organisation because with the amount of funding we get we cannot have a full-blown standalone office. It works very well if we can go in with the regional development body or whatever it might be. In Western Australia we have gone in with a couple of TAFEs.

CHAIR: What could be done to improve it?

Mr BLOOM: I suppose it is like everything, it is the amount of money you have to spend. We have had some excellent results with programs. In one program that we did about four or five years ago we had some seed funding from what was then called the Australian Student Traineeship Foundation, which has changed its name and is now with the Department of Education, Science and Training (DEST). We put a local person into Goondiwindi for 120 days. That person was known to all the farmers around the area and known to the school. That person worked with the school and arranged a lot of work placements. It was to take kids out and give them a taste of what their career might be if they went onto a cotton property, or whatever sort of property they worked on for that work experience. The following year the school had, I think, 25 kids enrolling in agriculture in years 11 and 12 whereas before that there were only three or four.

It gives them an experience and shows them what is available and whether they like that outside type of work. I suppose we see it in every industry now: if you recruit the wrong person and they are not suited to the work you have wasted a lot of time and money. If you get the right person to start with and provide the right training you end up with a worthwhile employee.

Mr CORNISH: I believe it is really important to have the face-to-face capability and provide the conduit, provide people with advice, whether it is the potential employee/apprentice or the employer, and put them together in an acceptable fashion and help them through the sometimes bureaucratic nightmare that is associated with these things. I suspect our capacity is limited only by one thing, which is the financial capability to put more people out there. We believe we have done a pretty good job given the level of resources we have had in the past, and the commitment from our people is also extremely high. If you put those two things together it works well.

One of the most effective tools or instruments that Rural Skills Australia has been able to put together over the years is a piece of software that we developed. We were funded by the Federal Government to produce an interactive CD called On Track. Careers advisers could take that piece of

software and use it in an interactive form. It showed people whether they were potential entrants into industry. Regardless of who it was in the community, people could take that CD and find the pathways through various commodity areas, banking, rural hardware and a whole host of things.

That broke down quite a large barrier between people. It is no secret that careers advisers do not really go out of their way to promote agriculture. Unfortunately some of that is agriculture's fault because you do not pick up the paper every day and read a good news story about agriculture; it is usually the reverse. There are plenty of good news stories out there if you know where to look and the people to talk to. The CD had a capacity to break through that nexus and put careers advisers in touch with good information. It also allowed young people to have a brief look at what they might consider in the future if the opportunity came along. We are about providing those opportunities.

CHAIR: You said earlier that the AWU played a role in your organisation as well. What hands-on role does it play in trying to help the situation?

Mr CORNISH: The AWU is virtually an equal partner in terms of our board structure and the commitment to Rural Skills Australia. They sit with us at the decision-making tables and are as active as any of the other participants.

The Hon. PATRICIA FORSYTHE: You gave some statistics earlier about a positive increase in agricultural traineeships. Was that a New South Wales figure or an Australia-wide figure? If it was only New South Wales—and you identified issues to do with workers compensation, etcetera—how does New South Wales compare with other States? Do other States have any strategies in place that we should be adopting in New South Wales?

Mr DWYER: The summary is included in your attachment list. The covering sheet relates to New South Wales but the Australia-wide performance figures are on the bottom of attachment B. By and large New South Wales is almost the flagship of the fleet in rural and related traineeship commencements. You can see the percentage line in the Australia-wide commencements and the New South Wales percentage of that total.

The Hon. PATRICIA FORSYTHE: In all statistics comparing New South Wales with the rest of Australia we should be approximately one-third, because that is our population and our contribution to the economy. We are sitting about where we should be in some of those figures. Are there specific strategies in place in other States that we could learn from?

Mr DWYER: Not that I am specifically aware of. Different States at different times have tried some targeted initiatives in particular industry sectors. To be fair, when New South Wales introduced those administration fees for trainees it was the last State or jurisdiction in Australia to do so. In fact, some of the other States charge significantly more than that $350 ceiling for trainees. From our organisation's perspective, when you are dealing with farmers and their sons and daughters or nieces and nephews, if people going into traineeships are on a wage of $180-$210 a week, tipping in a $350 upfront slug before they can enrol in training delivery through TAFE or an agriculture college is a significant amount of money to find. To date it borders on one in three or one in four people in the agriculture commencement areas. That is not an issue for existing worker trainees, particularly in the wool harvesting area, because the State Government is not funding the training delivery for existing workers. As a consequence they are not as individuals paying that upfront fee.

The Hon. PATRICIA FORSYTHE: Has the CD that was provided to schools and careers advisers been updated regularly or was it a one-off? Is it something that would still be front-of-mind with careers advisers?

Mr CORNISH: Possibly. These things have a term of fashion attached to them and I suspect some of the high degree of fashion has now passed. The CD was originally put out as a one-off; it was upgraded once, but to my knowledge that is the only time it has been upgraded. If we were able to do more, there are other commodity areas that would like to become involved. Obviously it depends on funding. These things cost a great deal of money to put together. Almost every industry sector across the board, including engineering and aviation, had an opportunity through the Federal Government to put one of these CDs together. That was during Minister Kemp's time, but since then there has not been any activity in this area. The committee that oversaw those initiatives still meets and provides

advice to DEST and government and we make sure this matter still simmers and that it has not gone off the heat. The committee is made aware from time to time there is a need to keep that really good approach up to date.

The Hon. PATRICIA FORSYTHE: What are the key strategies being employed at the moment to grow the number of young people taking up traineeships and apprenticeships in the rural skills area?

Mr CORNISH: That varies from State to State and I suspect New South Wales is no different from anywhere else in the country. I am not trying to avoid the question, but I referred in my opening remarks to a really important function. It is something my organisation and I believe provides the cornerstone to increasing opportunities in the future. I refer to the RCC/RPL component. The concept is one of recognising people's skills that perhaps are not formally recognised. If people have a skill level, that is recognised before they go into the learning system. There was a brief period about four years ago when that concept was taken on and funded in some States by FarmBis. It put through quite a number of people and the level of recognisable skill that could have had diplomas associated with it was quite extraordinary. There is very strong evidence—in fact, I think it was probably the strong evidence that killed the Commonwealth's enthusiasm for funding the scheme because the Commonwealth thought it was so self-evident that people would fund themselves. It is just too costly for people at that level to front up with $900 to $1200 to go through the required assessment and have it authenticated.

It is one thing that really needs driving in this country—not just in New South Wales—and if New South Wales could be the flagship again that would be wonderful. If that could be overcome in some way so that people are recognised for the values they have so that they are not put into a system where things are so repetitive, or almost off-putting because it is beneath the standard they have attained in an unofficial way, and ramped into a system because their skills are pre-recognised, history and evidence proves conclusively that the number of entrants into formal training would be quite exceptional. If that void could be covered off, I hope right across the country but even if it could be covered off in New South Wales, I think the performance that would come would be staggering.

The Hon. GREG DONNELLY: My question is about looking to the future and getting your thoughts on that. Obviously you have worked systematically to develop—and are continuing to develop—the sense that there are real career, job and training opportunities in the rural industries, and a lot of work has been done to date. I wonder, however, about the threat that lies with the new Commonwealth industrial relations legislation, which commences shortly, that will provide that employers must pay only a rate of pay and four other entitlements. That is all that employers will be obliged to pay at law. Do you think that has the potential to undermine the good work that has been done? Surely, with cost pressures and what have you, employers in the rural industry will be tempted to pay the very minimum and undermine this work that has been done by building up careers in agriculture and horticulture.

Mr CORNISH: I doubt whether it would have some of the impacts that you are talking about. There are some extremes out there and those extremes occur on the employer and employee sides. I come from South Australia and one of the major problems that rural industries have in South Australia—and I suspect it is the same in New South Wales—is that the mining industry has enormous capacity to take people at wage levels that rural industries could only dream about. That impacts on our numbers, particularly people who have demonstrated real ability and flexibility and the capacity to work. They are quickly picked up at totally different wage rates from the level that rural industries have the capacity to pay. That is unfortunate and I am not sure how we address that. Those who seek a long-term career in rural enterprises, regardless of what they are, are there for more than simply money; they are there because they enjoy the lifestyle, the work and the opportunities.

There are quite a number of commodity areas in agriculture where, even though some of Australian agriculture is in a reasonably parlous state, really good jobs and career opportunities remain. It is not an industry that does not create for itself real opportunities if people wish to put skills into their backgrounds. If they wish to learn and ramp up their education activities there are quite reasonable career paths. In fact, if you look at some of the more boutique ends of the market there are really strong career opportunities.

The Hon. GREG DONNELLY: My second question is about your organisation. Can you give us an overview of the work that has been done on upgrading, or encouraging the upgrading of, the skills of persons already working in the agricultural and horticultural industries?

Mr CORNISH: I guess offering people the ability to understand where they go next—being in a position to offer signposts and to allow people to understand how to take the next step—is quite fundamental. It perhaps sounds silly to talk about those things at this level but when you talk with people at a regional level and talk to employees to understand their ambitions for the future the first really fundamental step is to allow them to understand how they get on the learning pathway. How do they engage processes that are close at hand so that they can access them? Are they affordable so that they can access them? Is there an enthusiasm on the part of both employee and employer to engage whatever system is appropriate? This awareness and information sharing, which I know my organisation does, is fundamental to allowing people to understand and then take up whatever is on offer and to understand where they want to go and to point them in the right direction. It sounds a bit bland, I know, but it is so fundamental to all of this. It really is quite a critical issue. There is not sufficient capacity in rural Australia for that greater level of explanation to be had at appropriate times.

The Hon. CHRISTINE ROBERTSON: I recognise that this question might not be answerable. I know that there are some incredible problems with keeping apprenticeships and traineeships going during the peaks and troughs of drought. Do you have any ideas about how to maintain some consistency for the people who make a commitment when the farm is going broke as a result of drought?

Mr CORNISH: Unfortunately, some of the answer is perhaps beyond the control of the New South Wales Government. But there are obviously some inconsistencies in terms of drought strategies where exceptional circumstances arrangements are entered into. There is some logic that has not flowed through the system at this stage. Why would you force people to part company? Why would an employee be forced to part from an employer simply to maintain social security arrangements so that they can feed their family? That is actually the case at the moment. To me, that is frankly stupid.

The Hon. CHRISTINE ROBERTSON: So they do not get their social security if they have an employee.

Mr CORNISH: No. If an employee is to receive any social security benefits they must be unemployed. That is how it falls out. Under the extreme circumstances, when drought or other devastation is affecting people, you would think it would be logical to try to keep people together so that when things come right there is a work force and the capacity to run those rural properties rather than driving them apart, as the system does now. It drives employees off properties because the system cannot manage it and insists that they be forced asunder.

The Hon. CHRISTINE ROBERTSON: That could mean that in places such as north-western New South Wales that could mean that young people have trepidations about taking on apprenticeships and traineeships within the rural sector.

Mr CORNISH: I suspect that is part of it.

The Hon. CHRISTINE ROBERTSON: Except where there is irrigation.

Mr CORNISH: As you said, it is an impossible question to answer—you are right there. But there are different aspects. The first thing that is a requirement for young people entering the rural lifestyle is that they want that lifestyle above all else. If they do not have that there is little else that will have the capacity to work. So they need that. They need information on how to join people together if it is not just local people being employed by local employers. If you wish to draw people in from outside communities they must have the capacity to understand where the potential employer or employee is. They must be able to access relevant learning institutions and arrangements. That is the really important issue if people are being encouraged to follow the apprenticeship or traineeship line. It is about linking like people and organisations and their capacity together. That is the art form in all this.

Mr BLOOM: In the past we have made submissions to the Commonwealth regarding drought, suggesting things like perhaps a 100 per cent wage subsidy when a property goes into drought so that the employee does not cost the employer when they are on national training wage provisions. It would save them going onto social security. We have put that suggestion in submissions to the Commonwealth but they have not been taken up.

The Hon. CHRISTINE ROBERTSON: Do you know the difference between the national training wage and social security? It would not be much, would it?

Mr BLOOM: Probably not a great deal.

The Hon. CHRISTINE ROBERTSON: We have found that that has been a problem.

Mr CORNISH: It is the philosophy behind the process that is the issue; the dollars really do not mean a great deal. I believe this country has to come to grips with the philosophy, the ethos and making sure that those policy settings are right.

The Hon. CHRISTINE ROBERTSON: We have heard during this inquiry that the skills recognition process and recognising prior learning are important issues. What reaction is that process creating in the academic and training worlds? For example, are university and TAFE people—I know that there are many more trainers these days—objecting to this process in any way? I want to understand the politics of it. I can see that it is a very good idea and many people have earned the right but I wonder how the paper peddlers feel about it.

Mr CORNISH: In fairness—unless my colleagues have had the opportunity to see differently—I am not aware that the universities, the TAFE system or the system per se are being difficult to deal with. I do not believe it is on their radar sufficiently well. I believe they do not see it as a major issue because I think it impacts on rural and related industries far greater than it does in some other areas where skills sets are a little different from what our industries require. In many cases in rural communities people who are living in those communities come to the job with perhaps not absolutely honed skills but they have been about the place: they know what goes on and they know what the expectations are. In most cases they have some idea and they have some level of skill in different areas that could be recognised and not become part of a level one training regime that people are forced into. You are almost teaching people to suck eggs. If the rural community gets turned off by anything it is repetition and being forced into a situation of lowering their dignity in a way. That goes for all age groups. It certainly turns young people off and the more senior they are the more vocal they become about how their day was wasted.

The Hon. CHRISTINE ROBERTSON: Which organisations would be responsible for these assessments? There are some happening at the moment, are there not?

Mr CORNISH: There are recognised assessors that can carry out that function.

The Hon. CHRISTINE ROBERTSON: Are they commercial persons?

Mr CORNISH: It is commercial, yes. One suggestion I have made elsewhere, including to the Commonwealth inquiry, was that there needs to be dedicated fund provision made to organisations—if not RSA, similar to RSA, State farmer organisations or wherever the attraction would be and whoever can demonstrate the capacity to perform. If those dedicated assessors were put in place people could be assessed at a much more realistic figure and the assessment process could be better honed than it is now, because it is pretty generic at the moment. It should be honed into something specific.

It could be much quicker, much more cost effective, delivered by people who are known within the community who have respect by organisations who have equal respect, and it could function extremely well. As I said before, it is not just airy-fairy stuff that I am presenting off the top of my head. It was done by FarmBis a few years ago and it worked extremely well. Again, at the risk of repeating myself, I think it was too successful because the take-up was tremendous and it sold like hot cakes and the Government said, "Why are we funding this? This will self-fund." Whereas the reality is that it is too expensive to most people to be able to fund.

Mr DWYER: If I could just add one thing, certainly universally TAFE across New South Wales will provide access to either a credit to transfer or an RPL process for people lining up or putting up their hand to sign onto a full qualification, which I read somewhere—a stated statistic—the benchmark average came back between 12 and 15 per cent of actual full qualification is what could be obtained broadly through that process. The stumbling block was that you had to enrol in a full qualification. Certainly, New South Wales Primary Industries, through Tocal and Murrumbidgee when it was opening, provided opportunities for people to come through and be assessed or go through a process of a diploma or an advanced diploma level. But as Mr Cornish has indicated, that sort of activity at the time was funded very much through FarmBis or other targeted assistance. There have been some impediments.

To give you a benchmark figure, there are private providers who are assessed and registered to assess and issue qualifications that might be out of New South Wales, although they are registered in New South Wales. If you, as an individual want to proceed as a farmer in Mr Cornish's position, if he wanted to go through a process and he had his chequebook in his back pocket and parted with $2,500 or thereabouts he could go through a process and undoubtedly end up with a diploma or an advanced diploma in rural production or agriculture as a consequence of going through the process. But, typically, there has to be a motivation for individuals to need to go to that step. That in itself creates difficulties in selling what the benefits are.

Mr CORNISH: There is another aspect to this too, which, probably, is outside the terms of reference of your Committee, so please stop me if I am going too far. But there are people in this country every day of the week who are almost forced with the proposition of exiting farming because it is just not sustainable for that business to carry on. Those people also would benefit greatly from this sort of capability being given to them when they can then demonstrated to a potential employer, whether they are leaving the district or staying within it, they have a list of skills that virtually every other industry you can think of has. If you are a participant in manufacturing, food processing or whatever you can nail something to the wall and it says that is what I am. That is the skills I have. We do not do that in rural enterprises to a very large degree, and it is a shortfall. None of us would want it to happen, but the reality is it will happen, has happened and will continue to happen. Those who exit should have the capacity to able to RPL or RCC in a readily acceptable fashion so that they can demonstrate to others what their skill set is.

The Hon. CHRISTINE ROBERTSON: There have been a lot of contradictions that demonstrate the learning culture being in the country generally from employers and sometimes from government sorts of people. Some persons perceive that it is an important role for employers to deliver a learning culture and some persons perceive that employers should just be delivering their work how they want it. Is this the same for the farming sector?

Mr CORNISH: It is a mixed bag. You ask a lot of very difficult questions to give black and white answers to, I am afraid.

The Hon. CHRISTINE ROBERTSON: I do not expect black and white answers, that is why I ask the questions.

Mr CORNISH: There are people and rural enterprises out there who are engaged in quality assurance and now environmental management system principles where training, education and standards are uppermost in their minds. They tend to be product sellers more than commodity producers, and there is a difference. Those who are early entrants into this pathway demonstrate very clearly, and it happens in New South Wales as much as it does anywhere else in the country, they are right there, they are in front by a country mile. Their skill, education, training and quality are what their business is all about. I suspect, like any other centre, you dissipate from that level. Then you would find some at the very other end of the scale and I would have to say that if you were going to look at those people in the long term whether they will be sustainable. One thing links to the other.

The Hon. CHRISTINE ROBERTSON: What do you think the effect has been on the casual labour and itinerant work issues in rural industries of the labour hire companies taking over the process?

Mr CORNISH: Labour hire companies give some opportunity, which is difficult for the individual to be able to do. I am South Australian I am not a New South Welshman, but I use labour hire companies in my business because I just cannot manage to get the labour force I require any other way. I would need two people sitting on a telephone ringing around the community simply to get enough people to turn up because we run up to about 60 people.

The Hon. CHRISTINE ROBERTSON: In the old days, when it was slightly more informal and the gangers ran it, was that better or is it better to have the labour hire companies running it?

Mr CORNISH: Again, there is not a black and white answer. If you are looking for casual labour, seasonal pickers and so forth, most people would say they cannot do it any other way. They try their best to do it themselves and they gather a lot of local community members to their work force, but if you want great numbers you do not have any alternative but to seek contractors. If those contractors are professional then the management over those, particularly seasonal, workers needs to go through whoever is foreman of that particular gang. It depends on the capacity of the employer or the people receiving the effort to be able to determine how to best manage those people.

CHAIR: I need to ask a question about the migration program that is under way at the moment. I am a horticulturalist in citrus and some of that area they call unskilled labour. I do not believe there is unskilled labour because I think everyone who does some work is unskilled, albeit how they do the work or how they deal with the weather and other conditions that may come their way. How can we use the migration program to attract labour that is needed in the area, particularly for the area—not just seasonal workers because some of the farms are large enough to take on people for eight or nine months of the year? How do you see the migration program handling this sort of stuff?

Mr CORNISH: There is huge potential in that area. I understand the risk, which almost fits into the Foreign Affairs category or migration policy at a far greater level than that at which I am about to speak. But the capacity to take people is obvious. Coming from the citrus industry, you know that. The capacity to move people around the country to take people to where the seasonal work is, particularly, is also there. There are all sorts of reasons why, if we get the numbers right—you do not want a flood that exceeds demand—and if we can match supply with demand and run some types of programs that would see to it that people are not exploited, firstly, and taken to where demand is, secondly, then the obvious next step is that if those people wish to stay in the longer term and if they were offered the opportunity through performance to stay long term they would be very interested because the proof is already there. They are interested in up scaling and being recognised for the skills they have. It all fits together in a weird and wonderful sort of way.

I was very disappointed a few months ago, I cannot remember just when, but the Prime Minister made the announcement that, no, he was not interested because of security and other issues. I thought it was a bit shortsighted. There are ways of managing these things properly so that local communities and local work forces are not put to disadvantage, to be able to match, again, supply and demand, and put people in appropriate places. It is not an unreasonable thing to consider, but we simply have not done it well enough in the past to be able to determine how those outcomes need to be achieved. Again, I do not believe you would actually achieve that through government intervention. I think it needs to be government hand in hand with industry so that industry can provide the correct advice rather than taking a data set and try to manipulate that through a desktop study and tying up with proper policies and principles. That will not work. But hand in hand with industry I think that a raft of policies could be considered by any State and, in conjunction with the Commonwealth made to work.

(The witnesses withdrew)

ALAN JAMES BROWN, Chair, Rural Affairs Committee, New South Wales Farmers Association, GPO Box 1068, Sydney, and

ANAND SUGRIM, Senior Policy Analyst, New South Wales Farmers Association, GPO Box 1068, Sydney, sworn and examined:

CHAIR: Mr Brown, what is your occupation, and in what official capacity are you appearing before the Committee?

Mr BROWN: I am a farmer, and I am representing the New South Wales Farmers Association.

CHAIR: Mr Sugrim, what is your occupation, and in what official capacity are you appearing before the Committee?

Mr SUGRIM: I am Senior Policy Analyst at the New South Wales Farmers Association, and I am here as a representative of New South Wales Farmers.

CHAIR: Would either one of you like to make a brief opening statement?

Mr BROWN: I would like to make some brief remarks, and then we would be happy to take questions from members of the Committee. I will cover the general issues, and if there are specific questions, particularly about the submission that we made, I will refer to Anand, with your approval. I am primarily a farmer near Wagga Wagga in New South Wales. I am also Chair of the Rural Affairs Committee with New South Wales Farmers, and I am a board director of New South Wales Farmers. I have a degree in applied science, and I also have worked as a part-time teacher in the TAFE system for some 15 years. I am also a group captain of the New South Wales Rural Fire Service.

New South Wales Farmers is an apolitical voluntary industry body representing the majority of commercial farm operations throughout the farming community in New South Wales. But it is not just their businesses and agricultural issues that we support. The association also recognises that these farm operations are made up of people—farmers and their families—who are part of rural and regional communities right across the State. These communities have raised skills shortages as an area of particular concern at present. More than 780,000 jobs around Australia depend on farmers. In fact, the farm sector supports 1.6 million jobs in total. The association—particularly the Rural Affairs Committee, which I chair—recognises the importance of seeking innovative solutions to current skills shortages to maintain the viability, innovativeness and sustainability of Australian agriculture. Obviously, Committee members have a copy of our submission, so I will not go into it in any great detail, but I would like to summarise quickly what we think are our key issues.

The rural industry is a unique sector. Employment in agricultural industries is dominated by on-farm production, transportation, processing and value-adding, which each account for close to three-quarters of the work force. The age profile of the industry is older than is found in the work force as a whole, and alarmingly so. Agriculture, forestry and fishing sectors employ a higher proportion of mature-age workers than does the work force as a whole, with 41 per cent aged 45 years to 65 years and the highest proportion, 9.1 per cent, aged 65 years and over. This compares unfavourably with all other sectors, where only 1.7 per cent of the work force is aged 65 years and over.

In terms of adaptation, managing an ageing work force will impact on production first, with the remainder of the agricultural sector facing issues at the same pace as other sectors of the economy. While there are never going to be any silver bullets to address the skills shortages in the bush, it is clear to the Association that labour retention is the most important issue to address in the short term. Losing workers to other regions and professions is far more significant than losing workers to retirements due to ageing. I heard a previous witness talk about the mining sector. It is a major problem right across New South Wales, particularly in the Central West at the moment, where some really big mining enterprises are competing very strongly for the best of the skilled labour that is

available. That is a significant problem for the agricultural sector, and it is very difficult to do anything about.

There are a range of barriers to meeting skills needs in the agricultural sector in New South Wales. We have mentioned some of those in our submission. In short, those barriers include: many of the current training opportunities are inappropriate for farm workers—for example, time away from the farm, delivery methods, appropriateness of course content, et cetera; training costs are often too high—which is why FarmBis subsidies have been so successful across the country; training options are often poorly communicated and co-ordinated—which I found to be particularly so in the TAFE sector, where I worked; and access to fixed training facilities, such as agricultural colleges, is often extremely limited, highlighting the importance of providing both flexible delivery options, as well as residential facilities at Murrumbidgee. It therefore follows that the various training options need to be considered in terms of appropriateness of training, funding, and training institutions.

One idea that the Rural Affairs Committee is currently considering as part of a wider solution to rural skills shortages is salary packaging. You will not find this mentioned in our submission. It is at the concept stage at present, and may appear somewhat out of left field, but we think it is food for thought. Perhaps we have an opportunity to package salaries within the agricultural work force so as to limit exposure to fringe benefits tax. Salary packaging arrangements exist in other sectors and certainly appear to be successful. As I said, we are still working through the practicalities of this idea, but I would be happy to discuss it further if the Committee so desires.

I now turn to traineeships. You will note that in our submission we are calling for the introduction of increased flexibility in traineeships to assist employers to upskill workers to meet the necessary skills requirements. I have seen this in action at north Wagga Wagga, where I worked with TAFE. In the past 12 months or so we have brought in a much more flexible traineeship delivery program, and it is working very well. You start people off at certificate II, and make it interesting. But, as Wayne Cornish said a little while ago, do not get them into a classroom and teach them how to suck eggs; observe them in their own workplaces, assess what they can do, identify any shortcomings they may have, then start them off on the road to qualifications. We have 10 or 11 students who were previously out of traineeships in certificate II now starting off on certificate IV. They are now underway to qualifications.

What we find is that in particular younger people who are very lacking in confidence, or who have performed poorly at school for some reason, are coming through the TAFE system and taking the mature-age path through to university. That is the way forward with education. You cannot compel people to undertake education. Agriculture, with the exception of the Pesticides Act, does not compel people to be qualified for anything. But if you can interest these young people in obtaining formal qualification, that gives you the chance to take them on a path to upskilling, which is what they need.

I now turn to FarmBis III. You would have noticed our FarmBis recommendation in the submission. The importance of the FarmBis program to skills development in rural areas must not be underestimated. I heard Wayne Cornish talk about the cost of education. One thing missing completely, because there is no FarmBis program in New South Wales, is any avenue to cut the cost of education. Putting a cliff face of cost in front of someone will not encourage them to take up further education.

I would argue that the most significant and disappointing limitation to improving the availability, adequacy and affordability of education and training services in New South Wales is the failure of the New South Wales Government to deliver on its commitment to FarmBis III. FarmBis II funding in New South Wales ran out in September 2003, nine months earlier than the scheduled program end of 30 June 2004. Farmers in New South Wales therefore have been without FarmBis-subsidised training for more than 2½ years, leaving us at a distinct disadvantage compared with our interstate peers.

For example, Dairy Australia recently called for participants in the sixth round of the National Leadership Development Program for the Australian dairy industry. This program is registered with FarmBis in each State, meaning that farmers are able to apply for a subsidy to support their participation in this innovative and progressive program. Dairy farmers in New South Wales are

now unfairly disadvantage compared with their interstate counterparts, as obviously the FarmBis subsidy cannot be accessed by them. This is extremely disappointing, as New South Wales-based dairy farmers have been strong supporters of the program in the past, with the FarmBis I and II subsidies greatly assisting them to fund their participation. The association's dairy committee has advised me that they expect a dramatic reduction in participant applications from New South Wales—if there are any at all—as a result of the absence of the FarmBis subsidy for this important course. Whilst the New South Wales Government has introduced an alternative agricultural education strategy, of which the ProFarm component was supposed to replace FarmBis, this strategy certainly does not appear to be meeting the industry's training needs.

I turn to the vocational education and training [VET] sector. The association has also identified a need for greater synergies between VET providers, higher education providers, industry and centres of excellence to address the range of training needs within the agricultural sector. As we have highlighted in our submission, aggregate figures on school and post-school educational participation tends to suggest a strong rural disadvantage. Yet this is less so in the VET sector, where rural and remote students have comparatively good rates of participation and outcomes compared with their urban counterparts. With greater collaboration, I have no doubt there are lessons to be learnt from both of these situations.

I would like to relate to the Committee something from my personal experience. I have done a considerable number of VET courses with school students, usually from year 11. Getting them into the TAFE system takes away the stigma that goes with school: they have to be at school because Mum and Dad put them there. They are at TAFE because they want to be there. When I start students off at that level, the first thing I say to them is, "You are here because you want to be here. If you do not want to be here, there is the door; I'll see you later." It works every time. They want to be there; they are interested in being there. We mix theoretical and practical training to keep them interested. It is all very much hands-on and connected to on-the-ground training. As a result, we usually draw them into higher education later on, because their interest has been stimulated.

Our members consistently report how concerned they are about fragmented training information. Many farmers are unaware of developments in training reform and in particular are not aware of training packages, competency standards or new apprenticeships. In regions where farmers are unaware of the reforms to training, there is strong support for initiatives such as recognition of prior learning, on-the-job training, training for existing workers, school-based new apprenticeships, and quality assurance training. But you have to know the sector very well to even know what these terms mean, let alone how to participate in them.

As a closing comment, I thank the Committee for tackling such a complex but important set of issues. The association is committed to working with all levels of government in seeking solutions to the looming skills shortage crisis. As with most issues in the rural industry, whilst there are a range of challenges in this area, I strongly believe that those challenges present us with just as many opportunities. I would be happy to answer any questions.

CHAIR: Wherever we have been, we have been told about the mining industry taking people away from the agricultural scene, mainly because of the amount of money the mining industry can pay and is willing to pay. To me, it comes back to supply and demand. The mining industry wants workers and is prepared to pay for them. How does the agricultural sector compete in this supply and demand situation? What do you see happening there?

Mr BROWN: I see no alternative. It is a question of supply and demand. The only option I can see is to attract alternate people to the agricultural lifestyle, because there are many lifestyle benefits in the agricultural sector. You cannot prevent people from going mining; it would be ludicrous to suggest that. And you cannot compete on the wage front, because the wages that the mining industry pays are stratospheric compared with those in the agricultural sector.

The Hon. PATRICIA FORSYTHE: Who is doing anything to promote the lifestyle advantages of the farming/rural/agricultural sector?

Mr BROWN: New South Wales Farmers would love to be involved in that sort of promotion, but we are mostly asked questions in the negative, such as "What's wrong with this? What

are you going to do about that? How do we fix this?" There is a very limited avenue for promoting the positive lifestyle aspect of agriculture. If the State Government would chip in, we would soon work out a program.

CHAIR: The downturn in farm commodity prices means that the industry does not have sufficient money to be able to compete with the mining industry.

Mr BROWN: That is right.

CHAIR: The mining industry says, "We have a need, and we are prepared to pay $X." But it is able to recover that cost in returns from their product. How does the farming industry address that? Given that people are being encouraged to the mining industry by more money, where does that leave the farming industry?

Mr BROWN: It leaves us well behind the eight ball, and it is very difficult to do anything constructive about it. The only way I can see to improve things is to offer people better pathways in agriculture, and those are very limited at the moment. Essentially, it is an experience-based system of stepping up through agriculture. It is very difficult to see any other way forward.

CHAIR: Do you see the migration program as a possibility of filling the gap?

Mr BROWN: It certainly is a possibility of filling the gap but it is not an option that we prefer. We would much rather see people living in rural Australia happily working in rural Australia. It is very much our preference. It is a bit like the doctors' situation at the moment. You cannot attract Australian doctors to rural New South Wales, Australian-born doctors. The only alternative has been overseas migration. If that is the only alternative, that is something we will have to embrace.

The Hon. PATRICIA FORSYTHE: Mr Brown, I acknowledge the submission from New South Wales Farmers. I personally found it the most interesting and readable of all the submissions we have received.

Mr BROWN: You can thank Anand for that because he is the primary author.

The Hon. PATRICIA FORSYTHE: You earlier mentioned TAFE. We get mixed reports about TAFE, depending on which part of the State we have visited. You have identified that you have a relationship with TAFE. Would you tell us more about the role of TAFE? What could TAFE do to be more flexible and deliver a better product? What do we have to do with the TAFE sector for it to play a stronger role in growing skills in rural New South Wales?

Mr BROWN: My observation with TAFE is that the delivery across the State is patchy in the extreme. It depends almost entirely on the personality involved with the delivery. At North Wagga I am proud to say at the moment that the head teacher, in particular, is very high calibre and he is getting a lot of backing out of his system to do quite a good job. But if you look in other areas, because they are public servants sometimes the application is a little less than ideal, so almost nothing happens. It is a problem in agriculture that we forever have to attract people to education. If you want to be a butcher there is a trade standard or if you want to be a mechanic there is a trade standard that you have to meet. But there is no such thing in agriculture and it makes it very much harder to entice people into education. That is where TAFE could do a lot more.

There is no use whatsoever enticing someone to the point where they make an inquiry about education and bumping into someone at the entry point to the TAFE who does not give them a positive message. In the same way it is no use attracting a person into the TAFE system and then not giving them a positive education or not giving them what they want or not giving the employer what he wants in an employee. I have to say that my only experience at the face-to-face level is with North Wagga and it has been much better, I suspect, than the average. I do know quite a few teachers from around the area and they vary greatly in quality. To answer your question directly, the answer lies in giving agriculture within TAFE a reasonable set of people to work at it and a reasonable amount of energy to get out there and sell the message.

The other thing that we have found very important in Wagga—and we are having some difficulty with the university—if we can give people a pathway through TAFE to entry at university level with some credit, it really does attract them into that higher level education. Of course, the universities always have a problem with TAFE because they want to keep TAFE there and themselves up here. If we can establish a link to that system it really does help people who have started on an education pathway, climbing the stairs all the way to university level.

The Hon. PATRICIA FORSYTHE: In relation to recognition of current competencies, I suspect that many young people who grow up on a farm on the first day they sit down to do a certificate II would basically have the competencies by virtue of their own day-to-day experience.

Mr BROWN: Yes.

The Hon. PATRICIA FORSYTHE: They may not understand that they are already at certificate II level. I wonder whether the system is able to recognise that as well because the hours of training required are so often an inflexible amount. Is that an area where TAFE could promote to young people that many of them are probably ready, that even year 10 students on their first day may be able to put their hands up for a certificate II, a piece of paper that starts them off on a higher learning track than they thought possible? Could we look at some way to address those issues, such as hours of training?

Mr BROWN: I sympathise completely with what you are saying because I have spent a lot of time in front of trainee groups in a classic classroom and practical situation. You have an immense problem with the one size fits all. Some are already well past that level and some you have to move up to that level. It is a very difficult thing to do in a group situation to actually bring them altogether. I think there is a lot of merit in trying to identify those people that are already at that level, which is not difficult to do as long as you have got flexible delivery, and move them on. The way forward is to get them started on the education plank and then keep them walking out. If you can get them out to certificate IV or even further, you end up with a much better worker in general.

What we find is if you can get people interested in qualifications and education you can then bring in a range of skills into their skill set that they just do not get any other way. The key to it all is flexible delivery. A classroom situation does not work well. It works well if they have been previously sorted into a group that is reasonably homogenous, rather than putting a whole range of people together. I have talked to quite a few kids that come straight out of town life and basically do something at TAFE as an interest. Their skill level is so basic that you start right at square one. I do quite a lot of two-day chainsaw courses. Some people are already there before you start. All you have got to do basically is show them how to put chaps on, how to put safety equipment on properly, how to handle a saw in a manner that appears safe—they may already handling it safely—and you are there, you can do it in two hours. But others need the full two days because they have never picked up a saw and they have no idea what can be involved. You have that big difference in skill set before you start. I think what you are saying is absolutely right.

The Hon. GREG DONNELLY: As we have travelled around the State a number of councils have come along and given testimony. From the New South Wales Farmers point of view, have you identified any councils that seem to be quite successful in promoting their locality in terms of opportunities for young people to come in and find employment? Some councils have said they have been successful, others have been less successful. From your point of view, have you observed some councils being more successful than others?

Mr BROWN: Very much so. That applies to a range of issues, not just to education. Certainly some councils tend to be more naval gazers and others have their eyes on the horizon much better.

The Hon. GREG DONNELLY: Would you elaborate on that and give us some examples of areas where you have seen councils perform well?

Mr BROWN: It tends to go a little with industry, I suspect. If the need is very great the result tends to be there. Young Shire Council comes to mind, particularly with cherries they need to get out there and promote themselves well. Some councils are just better at promotion in general. That

would drift over into this area. I suspect it is mostly needs based, if they absolutely need to get people into their area to do things.

The Hon. GREG DONNELLY: A number of the councils have explained to us their experience with Country Week and how that has been valuable to them or not as the case may be. Other than Country Week, do you have examples of councils successfully promoting themselves and their rural lifestyle? It seems to me a big issue to overcome, particularly with citycentric people, is the crude, unsophisticated views of country life and the lifestyle.

Mr BROWN: I have seen some examples just in the area I live in. Wagga Wagga is a reasonable-size city and it is quite able to promote the fact that it can provide almost anything that Sydney has or if you actually want Sydney it is 50 minutes away. That sends a positive message that is not often well sent to city people. There is no use denying that people want access to culture, which usually comes with centres of population. I have the same need. I live 20 minutes east of Wagga Wagga. I like living right there because basically 20 minutes away there is almost any service that I want available with a limited range of cultural activity but nevertheless quite a diverse range. That is one of the reasons why I actually choose to be there. It is most noticeable in my area that there is a 50 kilometres radius halo around Wagga where the land values are through the roof because of that reason. But as to specific examples, I am sorry, I do not know any. Do you have anything to add?

Mr SUGRIM: No.

The Hon. CHRISTINE ROBERTSON: I agree with Patricia that your submission has been incredibly valuable to this inquiry. Picking up on an earlier question, is the difficulty with the university and the pathways of education about accepting credits from TAFE?

Mr BROWN: Yes.

The Hon. CHRISTINE ROBERTSON: It relates to a previous question I asked.

Mr BROWN: It is very much about having the university accept that there is an alternate education institution that can provide similar standards to what they want. I suspect it is a bit of patch guarding as much as anything. There are some limited pathways open. I have seen numerous students go through. I have been there 15 years and I have seen numerous students step on from TAFE into university and really blossom. One fellow in particular comes to mind. When we got him he just could not look at you, he was so shy. He had behavioural problems as distinct from intelligence problems. We took him for two years and worked with his disability and brought him out to be a university-standard student. For him it is marvellous because if he had not come to us first he would still be on the farm at Temora doing absolutely nothing and locked into whatever system he was working in. Now he has opened himself right up to all sorts of possibilities.

The Hon. CHRISTINE ROBERTSON: There is an issue in relation to rural TAFE students having to go to regional centres or perhaps the Newcastles and Wollongongs of the world, which I do not define as regional centres. Do you know what sort of accommodation they go to for the $28 they get now?

Mr BROWN: No, to be honest I do not.

The Hon. CHRISTINE ROBERTSON: It would appear to be a fairly grave issue because they are being picked up out of their environment and they are very young.

Mr BROWN: Yes. We have that problem with the full-time course at North Wagga where there is basically absolutely no accommodation whatsoever provided. You tend to find a relatively large number of them are straight out of school and they have to pick up usually from a remote environment and find their way in a medium-size city. Without a lot of funds it is very difficult and it is certainly a culture shock.

The Hon. CHRISTINE ROBERTSON: In the old days there were hostels. Now very few regional centres carry a hostel.

Mr BROWN: No, it is just too difficult.

The Hon. CHRISTINE ROBERTSON: And there are legal responsibilities too, I suppose?

Mr BROWN: Yes. It is an ongoing problem. To me the only practical solution is some sort of mentoring. That works when you can get it working. What we do encourage at North Wagga is to try to get a group of students who are in a full-time course to operate as a group. If you can get that working, even the ones that have poor social skills, they tend to pull them in and move them forward as a group, which is very positive.

The Hon. CHRISTINE ROBERTSON: The other issue that has come up often through the inquiry is the cry—and it is a cry, I am not being sarcastic—that certain TAFE courses are only available in the regional centres. Do you have an opinion on that?

Mr BROWN: Yes. There is distance education available to anybody. TAFE certainly puts some energy into it. I am sure they could put more in. There is also, particularly at the traineeship level, much more flexible delivery now where the trainer actually goes out to the workplace to view and assess the student on-the-job. Particularly at certificate II level that is often all that is needed. If you go through to certificate IV you are starting to talk more management stuff and then you have to get involved in theory and paperwork, so that becomes a little bit more difficult. There is no requirement now whatsoever for people to sit in a classroom to obtain an education. There is some benefit for some people for certain in a group environment. As I was saying before, it often involves social skills as much as anything else and a group environment is often the best for them. If that is not required there is no reason why someone needs to travel other than to residential-type courses, maybe to a small residential part of an overall subject. Lots of people pass a certificate IV and even at diploma level without me ever actually seeing their faces because I am not at TAFE regularly. They might come in once or twice a month and that is all because they can do the whole thing by distance.

CHAIR: One of the things we have been told consistently is that access by younger people to TAFE in regional areas is a real hurdle, particularly when they do not have a driver's licence and they have to be driven by a parent or make other arrangements. What do you see could be done in that area?

Mr BROWN: It is a significant problem. I see lots of students who perhaps have a licence but not a car. The only practical solution I have is mentoring. We cannot bring in transport schemes, or it becomes very difficult to bring in any subsidy system. It becomes a bureaucratic nightmare. Active mentoring is the only a way I see it working, particularly in North Wagga. It works well once the initial group is up and running and once they realise that they are in a group. That is particularly so if the group starts to operate for the good of everyone in the group. Generally speaking, that happens. In that case the best way is to bring them into a classic group situation, if that is what is required.

The Hon. CHRISTINE ROBERTSON: Do you have any suggestions for the committee about how we can get more information about rural industry education programs into the rural industries and get them to buy the information or want it?

Mr BROWN: The advertisement in the paper is close to useless if people do not want to read it. The method I have found most successful is face-to-face delivery, and that involves significant energy on the part of the person who wants to deliver the training. I do not mean just in the classroom, but that is the way we get the bulk of our full-time students; that is, from classroom presentations. We try to catch them out of school. It usually involves three years of presentations to a group to interest them. We need to catch them before they leave school. Sometimes the seed sown might come good two years later. They come to realise that an education would be beneficial and the TAFE message is already there. Things like being present at field days, which TAFE does a lot more now, are very progressive. The old approach of placing an advertisement about courses at Murrumbidgee does not work; it does not interest people. I am not saying that it should be completely abandoned; obviously we need something like that. However, there should be more innovation in face-to-face contact with people. I have been to numerous field days, conventions and those sorts of things where we maintain a presence. If we have the right person delivering the message that education is worthwhile to someone face to face, or to a parent or a peer — it does not necessarily have to be the actual target, it can be someone connected — that is the way to get results.

The Hon. GREG DONNELLY: In the recent past has New South Wales Farmers had dialogue with TAFE at the highest level on the issues that we have been discussing this morning, that is, the development and application of courses in the most effective way for the rural and horticultural industries?

Mr BROWN: We have dialogue, generally speaking at a senior staff to their senior staff level. In terms of elected representatives, no. It is probably just a time factor; it takes a lot of time. I have given up a whole day to be here. It can be very time consuming so we tend to flick that sort of thing to staff to do. The issue with TAFE is not the content; it is how well and how effectively it is put out there.

The Hon. GREG DONNELLY: That is the application part of what I was saying.

Mr BROWN: That is not easy to influence at a senior level. It is at the delivery level that it becomes a significant problem. If there are energetic people at that level, things really happen. If there are not, they tend to sit back and wait for students to come to them. Wool classing is a significant area at the rural skill centre in North Wagga. At the moment it is very desirable to have a wool classer's ticket and courses are full because there is an immediate shortage of wool classers. At other times there is a low demand, and unless someone promotes that it is still beneficial nothing happens.

CHAIR: Thank you very much for appearing before the committee and giving us your ideas and thoughts, and also for your submission.

(The witnesses withdrew)

(Short adjournment)

THE HON. MILTON ARTHUR MORRIS, Chairman, Hunter Valley Training Company, PO Box 559, Maitland, New South Wales, and

PETER CHARLES SHINNICK, General Manager, Hunter Valley Training Company, PO Box 559, Maitland, New South Wales, sworn and examined:

CHAIR: Welcome both of you, and, in particular, you Mr Morris. You are on familiar ground.

The Hon. MILTON MORRIS: But with respect, Chairman, as we used to say, "in another place".

CHAIR: Thank you very much, Mr Shinnick, for being here today. Do you wish to make a brief opening statement?

The Hon. MILTON MORRIS: I will briefly give an opening statement and then, with the committee's approval, hand over to Mr Shinnick, who is involved in all operational matters. First of all, it was with appreciation that we received an invitation to appear before this committee. The latest inquiry into the skills shortages in regional and rural New South Wales is of great importance to us.

I had the privilege of serving in another place for nearly 25 years. It is a great privilege to be here. I have never appeared before a parliamentary committee in my life. I was elected to the Parliament as member for Maitland on 3 March 1956 — the anniversary is just a couple of weeks away. Having been sworn in, the then Premier, the Hon. J.J. Cahill, met the Parliament officially on 22 May1956, the centenary of responsible government in New South Wales — the 150-year anniversary is next May. To be returned nine times in the seat of Maitland was a privilege and I will never overlook what I owe to the people of that historic part of the Hunter Valley. When the Wran Government came in with quite a flush, and a lot of members of the Opposition missing, I felt it was time to move away, having been here so long.

The very distinguished Minister for Industrial Relations and Employment, the Hon. Pat Hills, was on the other side of Parliament. He called me in and said that I had always been talking about the need for training and apprenticeships and asked us to set up a company in the Hunter because there were 1,300 tradesmen coming from overseas, mainly from the United Kingdom, because of a skills shortage and we had thousands of young school leavers who could not obtain work. That is how the Hunter Valley Training Company came into being. It was 50 per cent owned by the Electricity Commission of New South Wales and a few contractors who worked for the Government. I had the 20th anniversary book of our training company delivered. It will be 25 years old on 21 June this year. It has been a privilege to chair the company since its inception. About 14,000 or 15,000 tradesmen and tradeswomen have been placed in the skilled work force of New South Wales and no doubt beyond, because they would have moved beyond the borders. I do not feel there is anything more I need to say at this stage, but I am happy to answer any questions from the councillors after Mr Shinnick has spoken and made his presentation. Thank you.

CHAIR: Thank you very much. Mr Shinnick, do you wish to make a statement?

Mr SHINNICK: I would like to answer some of the specific questions raised in the terms of reference. How would you prefer that I do that?

CHAIR: Please do so.

Mr SHINNICK: I have a submission that I will table. It contains what I am talking about. There is a copy for each member.

CHAIR: Thank you very much.

Mr SHINNICK: To follow up what the chairman said, we currently employ 1,250 apprentices, and 1,100 of them are in regional and rural New South Wales. Hunter Valley Training Company is the largest employer of apprentices in this State. I will address terms of reference (a), (b), (c), (f) and (h), and I will provide some information specifically relating to two projects that our

company has been involved in over the past two years. The first is a project involved establishing an office in Gunnedah just over three years ago. In leading up to the establishment of that office we asked a range of questions of the local community and commissioned a survey. Many of the questions are identical to those to which the committee is seeking answers, and I will refer to them. The second is a program we conducted last year with a Sudanese community in Newcastle. A few interesting lessons were learned in the process. That specifically relates to term of reference (f), which deals with immigration policies.

The first term of reference relates to the current and future demand for labour. In rural and regional New South Wales the demand is across a range of industries. Page three of the submission contains a graph showing the range of industries in Gunnedah. Gunnedah has a mix of industries that are found in any regional area. However, the most revealing feature is that retail dominates regional and rural New South Wales; that is the major area of employment. The 30 per cent in the Gunnedah region is typical. We find in our other regional offices in Armidale, Tamworth and Lismore that retail is the predominant industry.

There are two primary factors affecting current and future demands for labour: Prospects for business growth and the availability of labour. It is interesting that, despite skills shortages and the drought that has absolutely devastated the country over the past five years, business still expects to grow. The figures on the top of page four demonstrate that despite all of the difficulties 20 per cent to 25 per cent of industries still expect to grow. Some expect a decrease — about 35 per cent — but the greater proportion either expect to stay the same or to increase. That is interesting when considering all the issues they are facing. Why is that? There are a number of reasons, and I think it relates to the labour market and the type of industries found in rural and regional New South Wales. They are all fairly mature industries; there are owners who work in their industries; they tend to working very long hours; and they cross-train their family and staff to do a range of different things. As a result, they can ride out shortages of labour and difficult times like droughts.

My second point deals with the difficulty in finding staff. Interestingly, in the survey we conducted in Gunnedah about 60 per cent of the industries said they had no difficulty finding staff in the country. That relates to the specifics of country life: Everyone knows everyone and everyone knows everyone else's son. If they need to offer a job to someone, they can go to family or a friend to offer employment. So, the survey we conducted in Gunnedah indicated that more than 60 per cent of respondents had no difficulty in finding skilled labour. But that means that 40 per cent did have some difficulty. There are skills shortages in the country. Page five indicates the areas in which there are shortages, in Gunnedah in particular. Gunnedah is typical of a rural and regional town. I believe the committee has visited the area, so members would be aware of the shortages.

These shortages are not restricted to rural and regional areas. They are typical. We have a large training centre here in Sydney and we have exactly the same sorts of shortages. The second of your terms of reference that I would like to address is reference (b), the economic and social impacts of the skills shortage. These are quite numerous and if you have a look on page 7 you will see that in Gunnedah we found five fairly specific issues pertaining to that. The economic and social impacts were that they are forcing companies to diversify into other lines of business.

In the country farming is by far the greater proportion of industry but a lot of those farmers are diversifying into retail and information technology [IT]. One farmer started his son up in an IT business in Gunnedah and he operated the farm, so his son worked across two different areas. We are finding that employers are working longer hours. You can see on page 8 the sorts of hours that people in the Gunnedah region are working. They are working very long hours; 15 per cent of people are working 75 hours or more, so that is one way they are riding out the skills shortage problem; they are just working themselves longer and harder in their businesses.

The third impact is changes in business turnover and interestingly on page 9 the graph at the top indicates that despite skills shortages and droughts and so on, in the Gunnedah region the change in turnover was either increasing or staying the same. That is quite an unusual feature, but rural and regional businesses are riding out skills shortages.

The fourth impact is changing in staffing levels obviously. In Gunnedah we found that over 18 per cent of respondents in the coming years expected their staffing levels to decrease but 50 per

cent expected it to either stay the same or 11 per cent were planning to increase, despite skills shortages. They seem to know very closely what is happening in their communities and what sort of labour is available.

The fifth area, as far as economic and social changes, were expected changes in operations of business. They are all aware of what is happening and so some of the expansion-related types of changes would be acquiring new business activities, increasing diversity and what is detailed at the bottom of page 10. Those companies that were planning to contract, included reduction in activities, cutting back on stock line and services, and so on. I still have a few things to say. Do you want me to keep going?

CHAIR: We would like to ask you a few questions.

Mr SHINNICK: There is a lot more I could say as far as the terms of reference but I will leave the submission with you and answer specific questions.

The Hon. PATRICIA FORSYTHE: I have been scanning through the submission and looking at the experience with the Sudanese training. You undertook to train a number of young Sudanese who, I presume, were not employed at the time. You gave them certain training but I note it says that they were not necessarily successful in gaining employment. Is that their current status? Are they still not able to be employed and, if so, does that reflect on employers? What conclusions can we draw from that? The reason I ask is because one of the solutions often put to us for overcoming skills shortage is to look outside Australia as a source and here we have a group of young people who have been trained but who apparently are not employed?

Mr SHINNICK: Specifically as far as that program is concerned, there is a large Sudanese population in Newcastle. There are about 2,000 of them. They are very difficult not to notice, for obvious reasons. We were having some difficulties actually getting people to apply for courses so we approached the Sudanese community and of 25-odd who expressed an interest in working in the trades, we started 15; six of them probably at the end of the two-month course we would have been able to give some formal competencies to, but none of them was employable in an apprenticeship at a certificate I level.

The principal issue is the cultural issue of coming from a country where they are basically nomadic; they have no exposure to an industrial lifestyle, to being basically placed in an industrial city like Newcastle. Employers these days just will not employ anyone unless they have a certain number of qualifications. Certainly being able to pick up a hammer at the right end is a basic thing and when I asked some of these boys what sort of hand tools they had ever touched, they had not touched any. They had never worked in a factory and they knew nothing about hearing or eye protection and all those sorts of issues; things that you and I picked up as we grew up and watched our fathers work in the shed. We played around with screws and hammers ourselves. Yes, we can teach them in a two-month course how to weld, but then they will end up being totally unsafe and employers will not employ them.

There were some basic lessons that we got from that. There needs to be more work in terms of preparation for working in that sort of an environment. They are so keen. When we started these boys out, they were so happy that they could get into that, but they are all at the moment working in basically unskilled jobs.

The Hon. PATRICIA FORSYTHE: If you were doing a pre-employment training package, which I presume is what you were doing?

Mr SHINNICK: Yes.

The Hon. PATRICIA FORSYTHE: Or were you trying to lift them slightly above that and if it is not normally your role to offer that sort of pre-employment skilled training, who should be doing that and would you do the same thing again? Would you take another group like that because, after two months presumably you have moved them somewhere along in their skill set; even if they are not yet employable, they now know more than they did before they started the training. This issue about people from significantly different cultural backgrounds has been raised with us in some of the

other communities that we have been to—and we have talked to employers—and it is very important to understand how we get them to the stage where they are employable.

The Hon. MILTON MORRIS: First of all, there was a statement made at the Commonwealth Government level—I have forgotten who made it—but I totally disagreed with the gentleman who made this statement: "We need to bring in young people from overseas now who have got some skills to fill up the vacancies that we need". To me that is bunkum. We have got thousands of school leavers who are out of work. We have got this beautiful Sudanese group that we met who have been belted and starved nearly to death and they come out here to find peace and a good life.

The training program that was available to them obviously was inadequate. We ought to be looking at a much longer program for them to get them acclimatised to what we do so that maybe after a year or so we can say, "We have got an employer for you. They want someone who can do an elementary weld or a bit of fitting work" but keep them in that work until they are able to do it. When this company was set up Minister Hills said, "I want you to look after"—he was a toolmaker and a first-class toolmaker—"We want to do something for a lot of these school leavers who are out of work". He had a whole list there, Taree, Tamworth, where ever they were. He put them into technical colleges and that is how they started, with four colleges around Green Valley and right through the State. "The Electricity Commission, the coal industry and at that stage even the railways", he said, "They are all taking what I would call the top of the Hit Parade, the goody-two-shoes at school, the wonderful young person. See what you can to with some of the school leavers whose reports are not too good because sometimes they will make top-class tradesmen" and we have proved that that is so.

If you look at some of these school reports that say "Inattentive", "gone to sleep", "disruptive influence" it is because sometimes that person has been told, "I want you to go to university like your sister Mary or cousin Grant. Why cannot you aspire to that?" Sometimes those kids say, "I just want to be boilermaker. I am good with my hands and that is what I want to be." Prior to coming into Parliament I was at the steel mills, Stewarts and Lloyds, tube makers—they are now OneSteel—and when you presented the 25-year watch to the old fitter and boilermaker and said to them, "You have done great work. What would you do if you started all over again?" They would say, "I would want to be a boilermaker at Stewarts and Lloyds".

They are the people we want in this State. People who do not aspire to be the superintendent of the mill or to be the top of the scale but people who say, "My skills as a pressure welder are really appreciated and I will go on training apprentices and doing my job. Industry needs these people who are happy to have their holidays, to work their 8 to 4 shift, who do not want the responsibility of worrying about matters. They come to work and they go home and they have done a good job and they are very satisfied with it. We need those people more than ever these days in the workshops to keep our industry going and that is where there is a shortage at the moment.

The Hon. GREG DONNELLY: We have travelled the State in this inquiry and have received some evidence and further evidence yesterday in Moree about inadequacies in terms of young people coming out at the age of 14 and nine months or 15 years of age from school lacking some very basic numeracy and literacy skills. Would you care to comment on that? Is that something you are aware of or have observed and, if so, do you think that is something that needs to be tackled from a policy point of view?

Mr SHINNICK: If the Committee wanted, we could give you a whole range of data. Last year between September and December we tested 2,000 people for 200 jobs. We tested them for a whole range of numeracy, English and mechanical reasoning-type questions—a standard set of industry employment tests. All that data is available and we have that. If the Committee wanted information, that would give you the type of results people got. We could only give you broad details.

The Hon. PATRICIA FORSYTHE: Is that school leavers?

Mr SHINNICK: It is a combination of school leavers and people who have applied for our positions but what we certainly see is that across the range, the levels of competence in mathematics and mechanical reasoning is very low.

The Hon. CHRISTINE ROBERTSON: Yes, we want the standard test.

CHAIR: Could we have that information and also the standard test ones as well?

Mr SHINNICK: We could give you the broad results that we got from that.

The Hon. MILTON MORRIS: You could send that down in the next few days because the Committee wants to get its report going.

Mr SHINNICK: That would be a good collection of data. It is the large enough sample for you to be able to make some conclusions from.

The Hon. PATRICIA FORSYTHE: Have you done comparative studies and have you seen trends?

Mr SHINNICK: We have only commenced doing this formally in the last two years and I do not think two years would not be enough for us to reach conclusions but we can give you access to the data from last year.

The Hon. CHRISTINE ROBERTSON: Can we obtain a copy of the standard industry test?

Mr SHINNICK: Yes.

The Hon. CHRISTINE ROBERTSON: We were given one from an employer who had also done one, so it would be very good for this inquiry to have the standard one.

Mr SHINNICK: And the reason we do this is because certainly if you want to become an electrician, you basically have to be university qualified and that has been borne out by the results of the Capstone test, which is the qualification you now have to complete to get your electrical trade certificate. Last year I believe the failure rate in New South Wales was something like 75 per cent in that test. A lot of those apprentices have come in previous years where the selection process was not as rigorous as to who they put into an electrical apprenticeship but now it is only the very top students who we put in to become electricians and who could quite easily do an electrical engineering degree.

CHAIR: Is that mainly because of safety reasons?

Mr SHINNICK: It is difficult to say. I would have to talk to our trainers but certainly for all the regulatory reasons. You have to have a very high level of understanding, but that test at the end of it basically tests the apprentice's knowledge of what he has gained over the previous four years—it is called the Capstone test—and it is certainly proving to be very difficult for apprentices to get through.

The Hon. GREG DONNELLY: We have also received evidence as we have travelled the State about shortages not just in the skilled area but also in the unskilled area as well in various places around State. Can you comment on shortages in areas that are not specifically skilled but are more broadly based?

Mr SHINNICK: As a general comment, there is a shortage of people in rural and regional New South Wales. That is a factor. We did a survey on Gunnedah and there is a very telling graph that shows the demographics from 0-50, and between 18 and 35 there is a huge hole. That is typical of regional New South Wales. The company that we commissioned to do that report told us that that is a typical profile of a country town. People leave town when they finish school, and when they have a family they come back to their country town or to where their family is to get the family support. We see that in our offices. We have offices in a number of rural and regional areas. We never have a shortage of jobs, we always have a shortage of people. We look at the skilled trades, but it applies equally to retail and hospitality and so on. There is a shortage of people.

The Hon. CHRISTINE ROBERTSON: I might say that when we were on the Riverina an employer mentioned you as a very important and successful organisation. I just thought I would pass that on.

The Hon. MILTON MORRIS: Thank you. We go by invitation usually. Our company was formed to provide 1,200 tradesmen to build the Bayswater Power Station. An aluminium smelter was to be built at Lochinvar by BHP, but it did not eventuate. Minister Hills said, 'Keep it going. There will be upsides and downsides, but we need to be involved in training.' That is how we stayed there, and the company was successful. I would come down here to have a little snack in the lunchroom if I was in town and I would be set upon by different members of Parliament. 'Why haven't we got one at Wollongong?' I would say, 'See the minister.' Then we would get a message from Pat Hills, 'What about going to Wollongong?' That is why, when you glance through the booklet I distributed, you will see we are involved in 12 divisions. Recently the Mayor of Goulburn and others said, 'Why can't you do something in Goulburn?' The general manager moved on that and we have received a great welcome in Goulburn and the surrounding district.

I have a thing about underprivileged kids. I will tell you one story. Pat Hills said, 'Make sure you try to uplift some of the kids who are not in work', and we have tried to do that. The Hon. Patricia Forsythe knows where Millers Forest is, a little rural community just out of Maitland. I went over there to see a farmer who also does carrying to get a piece of furniture moved. There was no-one at home. I heard noise in the hayshed. I went into the hayshed and there were two young fellows with a Holden car. I said, 'Dad not home?' 'No', they said. I asked, 'What are you doing?' They said, 'We raised enough money to buy this car for $50 and we're putting it together.' I said, 'Which school are you at?' They said, 'Oh, we're no good at school. Teacher said we're duds and everybody else said we're no-hopers, so we've left school, but we're putting this car together.' I said, 'Why don't you be an apprentice?' They said, 'Oh, we couldn't get a job as a motor mechanic.' They did. They both got jobs as motor mechanics because about 10 or 12 years ago I intervened on their behalf. One of those lads became the top motor mechanic apprentice for New South Wales. Everyone told them they were deadhead no-hopers, including 'sir' at school. Whenever they went up the street they were asked, 'Why don't you put your shoes on and get your hair cut?' They are the young people I would like to help.

I do not want the Federal Government bringing in the bright morning stars from overseas who want a new life in Australia. They are denying kids jobs. There are thousands of young people still out of work, especially in city areas. I know you are not looking at cities, but there are some of these people in the country. We can provide training and employment for some of them. It saves the mad rush to the big smoke.

The Hon. CHRISTINE ROBERTSON: Do you run groups of apprentices between different employers?

Mr SHINNICK: Mm-hm.

The Hon. CHRISTINE ROBERTSON: In the old days of apprentices and trainees there was lots of ownership by both the apprentice and the employer. What do you do to increase retention of your apprentices when they do not belong to an employer? They belong to you.

Mr SHINNICK: At the moment we have 1,250 apprentices on our books and about 30 are out of work. Those 30 are mainly associated with building and construction around the Foster area, where the industry has basically fallen over. They will get back into work and we are looking at a program. At the moment, if we have a skilled person on our books they are working. Under the Apprenticeship and Traineeship Act it is a contract between the employer and the employee. Hunter Valley Training Company is the employer. We loan the apprentices to what we call a host employer to give them work. Under group training, as the employer we can move that apprentice around. If an apprentice completes a six-month contract with one employer, the employer then hands the apprentice back to us. We have 800 companies to whom we supply apprentices, so we would move him perhaps from OneSteel to Tomago Aluminium in Newcastle, where they might have a shortage.

We negotiate that process over a period of time. Every one of our 1,250 apprentices has a person who looks after them. On average one of our field staff looks after about 60 apprentices. That is their full-time job. That is what group training does. It does not happen in industry. Fifteen per cent of the apprentices in New South Wales are employed by group training companies such as Hunter Valley Training Company. The other 85 per cent are employed directly by a company. The retention rates are very high for those that are under group training arrangements because we do not just get rid of our apprentices if the contract finishes or the work has gone. We move them somewhere else. We

have a network of contacts who are able to give them employment. Our retention rates are very high; at the moment it is in excess of 80 per cent. In one of our regional offices, the Illawarra, 325 apprentices are employed and not one is out of work.

The Hon. CHRISTINE ROBERTSON: A lot of employers in the country told us young people were stupid and relatively useless. It was quite a strong culture out there. What is your answer to that?

The Hon. MILTON MORRIS: Perhaps they did not want to do any training.

The Hon. CHRISTINE ROBERTSON: Yes, I felt that.

The Hon. MILTON MORRIS: They have a responsibility to do training and it is in their own interest to do it. Barclay Mowlem have a workshop at Muswellbrook and they said, and I believe it, they are paying top boilermakers $80 an hour at the moment to get the work done. If employers have a bit of vision they will ensure that they are participating in the training programs. The training company is available to move into any part of the State where there is a need. Our general manager mentioned we had over 1,200 apprentices, but we also have two workshops at Maitland and Penrith where employers are paying us to do training. If you add those on, there are about 2,000 people in training at the moment.

You said you were at Moree yesterday. The day before, at Maitland, Rio Tinto opened an Aboriginal centre in the high street.

The Hon. GREG DONNELLY: Yes, we heard about that yesterday.

The Hon. MILTON MORRIS: I was there when that happened. Dick Estens, from Moree, was there and our manager had said to me we ought to be doing something in Moree. As a result of that meeting I have written to Dick and to Rio Tinto and said, 'Let's get stuck into things at Moree', because there is a big need there and we can do the training.

The Hon. PATRICIA FORSYTHE: In some of the country visits we have made, particularly in smaller centres and with small employers, we often hear it said that the barriers to taking on an apprentice are just so great they do not want to start. None of them ever talks about linking with group training. How wide is the knowledge of the structure of group training? It seems to us that with all the barriers to taking on apprentices we hear about, part of the solution may lie in group training and some employers being a host employer for a period of time. Employers are not telling us that they are looking at being part of a group training network. How do you get your message out? How do employers find out about how they could be involved in the structure? What is the ceiling on the number of apprentices the Hunter Valley Training Company could have at any one time? Are you funded by government to a specific number and, if so, what is that number?

Mr SHINNICK: We are a private not-for-profit company, so our activities fund the company. A large proportion of our income is from government subsidies, both DEST subsidies and commencement subsidies and so on that any employer qualifies for when they employ an apprentice, and also the State Government buys outcomes from group training companies every year. I will put on my hat now as the Deputy Chairman of the Group Training Association of New South Wales. The outcomes focus on four specific areas: trade skills shortages, the needs of regional and rural communities, and two others that currently escape me. The Department of Education and Training specifically purchases outcomes to try to drive group training companies to operate in rural and regional areas. That is why the Hunter Valley Training Company can operate in a lot of these areas. We are funded to a certain extent by the State Government to go there.

The Hon. PATRICIA FORSYTHE: I will tell you what New South Wales farmers said in their submission to us because it is relevant to you. Basically they suggest group training companies are not interested in rural and remote areas because of the cost of training people over such vast distances. Would you like to comment on that?

Mr SHINNICK: That is a very true statement. It does cost money to run infrastructure in rural and regional New South Wales. There is a break-even point in establishing an office in Moree

and being able to operate there successfully. We would not have been able to run our program in Gunnedah for two years without the assistance of DEST. We did a whole bunch of market research before we went in there and we looked at it. Having said that though, as the Chairman indicated, we have opened an office in Goulburn. It is not financially viable, but we are punting on the fact that there is a very vibrant community in Gunnedah who invited us in and will support us. We have profitable parts of our not-for-profit business that will fund the not so profitable parts. As the Chairman said, if we are invited to go somewhere we will make every effort to do so.

The Hon. PATRICIA FORSYTHE: The Government obviously has a role there. If we recognise skills shortages government may have a role in backing you up.

Mr SHINNICK: Sure. The Government is trying to purchase those sorts of outcomes at the moment. We go through a negotiation process every year with the Department of Education and Training and we negotiate that.

The Hon. MILTON MORRIS: We are glad that we are so well established. It is a fact that the Illawarra, with 350—or nearly 400 apprentices in a few months—and perhaps the Hunter, with its gang of apprentices, is able to support the Goulburns or the Morees for a year or two or three until they get on their feet. The directors do not receive an emolument. There is no cash dividend paid to any of the shareholders. Their dividend is that they get tradesmen or tradeswomen when they want them.

CHAIR: So your relationship with government departments is quite good.

The Hon. MILTON MORRIS: It is very good. Since the Wran Government set us up there has been a legion of Ministers, Premiers and different governments that have all given us 100 per cent support.

The Hon. GREG DONNELLY: A theme that has come out of the evidence as we have travelled around—this is a generalisation—is that over time employers have dropped the ball when it comes to training. In other words, once upon a time training and putting on apprentices was understood as something that needed to be done as an investment in the future for the business or the enterprise. But some witnesses have suggested that that practice has waned over time. Would you like to comment on that? If you think that is so, is there a way of turning around employers' attitudes en masse?

The Hon. MILTON MORRIS: You are quite correct. BHP, the great old railways system and the Electricity Commission trained many more apprentices than they needed. You finished at BHP or at Cardiff railway workshops and they asked, "What are you doing now?" And you would say, "I've got a job somewhere else"—because they were well trained. That is because some employers did not want to go into training. When this company was set up I said to the Minister, "Why aren't the mining companies in it?" He said, "They have already said, 'When we want tradesmen, we buy them; we don't need to buy apprentices'". That is why our shed at Maitland is full at the moment of coalmining apprentices who are being trained and for whom we are being paid. They have woken up that that was a fallacious argument to give us. You are quite right: There was that hiatus. The railway workshops are like the old grey mare: they're not what they used to be. You know what I mean.

BHP has gone from Newcastle. The steelworks at Wollongong are still doing a lot of training and asked us to be the trainer. But the employers are coming back. They will not say, "We were mugs to say what we did a few years ago", but they have realised that it was a silly thing to say and they are coming back and asking us to pick up apprentices. Some of them are now saying, "We will even pay half the apprentice rate for a period just to get them in training so that in a year we will have someone who can do an elementary weld and then pick up the training from there".

The Hon. CHRISTINE ROBERTSON: I have a question about the Sudanese persons. During our inquiries on the North Coast a person involved in the chicken industry informed us that they had some Sudanese persons working for them because they could not obtain semi-skilled labour. That person perceived that these workers were not appropriate as they did not have a "work culture"—they were the words used. Since then Committee members have learned that Sudanese persons have

arrived in most regional centres across New South Wales in one form or another and they are working in considerable numbers in the chicken industry. They are unskilled labourers who are not receiving any real training. Do you have any suggestions about what could happen for these people in the long term?

Mr SHINNICK: I think that if there were no Sudanese community working in the chook yards at Beresfield in Newcastle that industry would probably fall over—or the meat works at Narrabri. They tend to go in groups wherever they go. Something needs to be done. We tried to kick off a small program to see if we could get them to learn. If they are going to be in Australia for the rest of their lives they want to contribute. They do not want to work on a chicken farm; they do not want to work in a meatworks. They want to learn a trade; they want to learn skills. That came across hot and strong for us. We get the same sort of data from the Sudanese community around Blacktown in Sydney. We tried to get a program going with them at our skills centre at Penrith. Certainly the feedback we get from the Sudanese community is that they want to learn skills. But industry is so regulated these days it will not take on anyone on the work floor unless they have a certain level of knowledge. A lot of the mining companies that the Chairman referred to put their first-year apprentices into our training centre for between three and six months before they will let them go onto a mine site.

The level of industrial awareness of these people is equivalent to that of a five-year-old—and you would not let a five-year-old wander around a factory. That is the simple fact of it. They have to get some knowledge of what it is like to be in an industrialised community—perhaps just by living here for a period of time. They then have to be given some form of training prior to going into their apprenticeship. What would that be? I imagine that it would be at least a minimum six-month course, where they would run through a whole bunch of fundamental occupational health and safety and skills issues before you then put them into an apprenticeship.

The Hon. CHRISTINE ROBERTSON: This is a bit outside the inquiry's terms of reference because it is a Federal matter, but migration is part of our terms of reference. Do you think we should recommend that this specific issue—it was brought up at our first public hearing—be investigated further with a view to resolving it?

Mr SHINNICK: Following that program we went to DIMIA with one of our directors to try to get something positive out of this because it was a failure. We got a lot of press in Newcastle and there was a lot of interest in it initially. But when it got to the end of the course we knew that the boys had not learned much and it was a failure. We do not like to get involved in processes like that and then just let them go. So we went to DIMIA to try to get some support and we could not get anything out of them at our level. Rather than just bringing these people out and putting them in society, if we want to integrate them fully then we must be able to make some sort of commitment and some funds have to be made available. Whether industry will supply that, I do not know, but certainly there should be some form of government assistance.

The Hon. MILTON MORRIS: That should really come from the Commonwealth Government. I must tell you: These are beautiful people. Some 300 of them attend a little church in Islington where they have a Sudanese service. I went there to address them last year—I did not know they met there. You ought to hear them sing—they leave the old Methodists for dead! And they are so happy. We must give them something to do other than just walk the streets and hope they will get a job gutting fowls.

The Hon. PATRICIA FORSYTHE: You said that the course was two months. What if that course had been six months long, for example? It was a failure in that they did not advance much. Would they have advanced further if it had been a six-month course? Could you have got them further in that time frame or is the issue deeper than simply the duration of the course?

Mr SHINNICK: That is a very difficult question to answer and I do not know that I am qualified to do so. But I have observed similar sorts of kids. We put year 10 youth at risk through programs—these are boys that we identify in year 9 as likely to fall out of school in year 10. So we run programs for them. They are very successful programs. We graduated a program at the end of last year where 45 out of 45 boys, who were sponsored by Coal and Allied, graduated successfully.

The Hon. PATRICIA FORSYTHE: Only boys?

Mr SHINNICK: There is an open invitation. We asked the principals of the high schools in the Hunter Valley to send us their worst 120 kids, and they sent 120 boys.

The Hon. GREG DONNELLY: We do our best, as boys.

The Hon. MILTON MORRIS: We have had a couple of really good female welders over the years but they leave because the boyfriend does not want to take out a boilermaker. It is incredible the things that come up. But our top shipwright girl was the top apprentice in New South Wales and she went on to work in the Royal Australian Navy shipyards. We are very proud of her. Quite a few come through but there are pressures on them, even at home: "You can do better than be an apprentice in overalls".

The Hon. PATRICIA FORSYTHE: So all the youth at risk group got through.

Mr SHINNICK: Yes. We gained knowledge from that particular program with those Sudanese boys—one of whom was Liberian and the son of the former president, which we only found out after a couple of weeks of the program; that was quite interesting. We probably learned enough from that two-month program to devise a course that would succeed at the end and lead to apprenticeships. If you want that sort of information we can provide something like that. If you want some sort of formal information we can provide it.

The Hon. PATRICIA FORSYTHE: I think it is important to know that from that experience you now know that there may well be a way forward, regardless of whether it is the Sudanese or some other group. We have had identified to us on trips groups in the community and we must find a way to take them forward and teach them skills.

Mr SHINNICK: A very successful program was run by Murray Mallee Training Company in Victoria with the Sudanese community. It has excellent outcomes. It won a Victorian State Government award I think about two years ago, and we kind of modelled our program on that. Ours just was not as successful because I think we were too ambitious in what we attempted to achieve.

CHAIR: Thank you very much for your contribution today, for your submissions and for the other documents that you will send us.

The Hon. MILTON MORRIS: Thank you for the privilege of appearing before a parliamentary committee. As I said, it is the first time for me. Please tell the farmers who just left that if they want to get some programs going they should come and talk to us—especially in the rural areas. Thank you so much.

CHAIR: Thank you both very much. It was very interesting.

(The witnesses withdrew)

(Luncheon adjournment)

JOHN LESLIE QUICK, Education and Training Adviser, representing Australian Industry Group, and

MEGAN MARY LILLY, General Manager Education and Training, representing Australian Industry Group, both affirmed and examined:

CHAIR: Would either one of you or both of you like to make a brief opening statement?

Ms LILLY: Thank you. I will start that and then I will defer. In this brief opening statement I would like to take the opportunity to outline to you some of our interest in skills shortages and the impact it has on our members, and some of the work that we have been doing around it that has highlighted it to us. Bearing in mind that we have a membership of 10,000 companies across Australia, we have a heavy concentration in New South Wales and we have done fairly extensive work with our members, particularly in the Illawarra and the Hunter. To give you a very quick history, we did a report "Industry in the Regions" in 2001, and that was the first piece of research that started to measure the impact of skills shortages on our members. This was followed up by further survey work that we undertook in early 2004 on a limited basis, focused very much on skills shortages for our members in the Hunter region and that work has been included in some of the documentation provided today.

We also then, on the back of one of our quarterly economic surveys, did a more comprehensive study of skills shortages across Australia and actually got a quantification of up to 29,000 job vacancies in manufacturing at that given point of time in August 2005. On the basis of that we set up two 12-month projects, one in the Hunter and one in the Illawarra, skills shortage task forces to work through the issues with our members and try to come up with some strategies to alleviate them because the concern was so great on the ground, but certainly beyond it. The work tabled in front of you today is the consequence of those 12-month projects. They were funded by the Department of Education, Science and Training, a Commonwealth department, and I need to acknowledge that upfront. But certainly they were very locally based projects and we were working from the premise that we have a local problem, so let us try to generate some local solutions and get some sustainability into them as well. That is a very brief opening statement, but I will quickly defer to Mr Quick.

Mr QUICK: The assistance that I can provide in that regard is that I was the technical support for both projects in both areas, an integral support player from an education and training perspective. These workgroups were made up of stakeholders from across the regions, including Commonwealth and State agencies, employers, training and education providers and some of the other not-for-profit organisations. The major success of those two projects was the bringing together in partnership of all the stakeholders within those regions to gain a common understanding, or a shared understanding, of what the skills shortages were and some of the solutions or actions that might be taken to alleviate some of those skills shortages. Those two projects, which you can see in the documentation, were managed by a committee or a skills task force, and that skills task force nominated four to five subgroups or action groups to focus on particular issues. Those issues may have been badging and making the industry more appealing to young people, and that was working with schools, employers and those agencies. Another would have been the skill migration side of it.

We would have had a committee or an action group looking at the skill migration and drawing upon some of the support from Ai Groups, skill migration secondment officers or the local agencies in that regard. One of the more successful ones were two separate action groups but essentially based around the same focus, and that was trying to get more apprentices into the industry and also up skilling the existing workers. The fourth one, and perhaps one of the more important ones, was bringing together the Commonwealth Job Network agencies and trying to get them to work with all the other agencies in terms of identifying those that were unemployed, the skills that they had and trying to match those to the needs of the industry.

As you would be aware, there appears to be quite a disconnect between the numbers of unemployed, the skills vacancies and the inability to match that unemployed pool to the skills vacancies. Some of the work was done in regard to the Job Network is in that regard. The only other thing that I can add is that I am in regular contact with people outside of the Sydney metropolitan area and outside the Hunter and also the Illawarra. I have the good fortune of having responsibility across

the whole of New South Wales for supporting our members in providing them with advice in education and training.

CHAIR: In your submission you give details of your involvement in a couple of specific projects, the Hunter Skills Development Plan and the Illawarra Skills Shortage Task Force. Can you tell the Committee more about the achievements of those programs?

Ms LILLY: When we talk about our involvement in those two programs, they are named slightly differently, we initiated and set them up as part of the work we were doing funded by the Department of Education, Science and Training. They were slightly different in each region, and that was entirely intentional from our point of view in the sense that people in the local community had to decide how they wanted them to operate. The genesis of the one in Hunter came through the Hunter Manufacturing Council, which is our section committee for that region, and it stayed fairly close to that group of people, but certainly included a broad range of stakeholders in terms of educational providers and other third-party agencies. But the employer genesis was largely through the Hunter Manufacturing Council.

In the Illawarra it took a different form. It was a much more collaborative process in a different way, and that was really through our regional office in Wollongong and the local area consultative committee became a key part in that. Then the broader range of stakeholders were built from that. It took a much broader view of skill shortages beyond the brief of what we were funded to do, which was not a problem. But it did not stick to manufacturing or other traditional industries. It has broadened out beyond that. They look quite different and the composition of them is quite different, but we were running and managing both of those task forces.

CHAIR: In such projects across the State and the country, are these models you have seen that work particularly well? What are the keys to their success?

Ms LILLY: Yes, they too work particularly well. One of the reasons they work particularly well, and I just identified that we let them look different or be a bit different in composition and I think that is recognising the importance of the local level of ownership and engagement, so that is an essential component. The other thing that generates success from them is that they were resourced. We had a body on the ground that could continue to facilitate and build them around the issues, which has been incredibly important. They are no longer funded projects, but both task forces are continuing. However, it would be fair to say that because the resources behind them have decreased the momentum is slowing. But the major success there has been linking a whole range of local parties, agencies and employers, and building much stronger and more meaningful relationships that were not happening independently of the process.

Mr QUICK: If I might add, part of the success is as Ms Lilly has indicated, bringing the parties together. But one of the reasons why there has been some success is that in the first instance what was identified was a problem, the extent of the problem and some of the solutions that may be attempted. Those solutions then were divided into short-term, medium-term and long-term goals. The action committees, or action subgroups, were then set up to deal with those short-term, intermediate and long-term goals. Achieving some short-term goals managed to maintain the momentum. There was some degree of reward in seeing some of the more positive outcomes. Two of the outcomes were most notable. One was the development of case studies to be put in a package for local members, and those case studies were some of the more entrepreneurial or innovative approaches that other companies within the area were taking so that members can then look at these other enterprises and say, "Is this something that I could use? Or is it something that gives me another idea of how I might approach that?"

That was a colourful package that was put together and very well received in the Illawarra. In the Hunter the greatest success was in the conduct of two forums, one in Charlestown and one in Singleton, which brought together school principals, schoolteachers, industry and some of the high achievers, we could call them, but some of those young people who really gained some reward out of the careers they had undertaken. That drew 200 people. It was amazing. We were blown away by the interest shown by the local schools and the principles, and there was some interesting material developed for those forums.

One of the more interesting pieces of material was a study of the successes of tradespeople after completing their trades and their financial positions seven years out from completing their trades, compared with the fortunes of a schoolteacher who had undertaken a degree and been in the job for a similar time. Quite a few people were astounded by the difference, particularly in terms of the HECS fees that were accumulated and the amount of money that a tradesperson could earn at the end of that period. That was one of the more interesting pieces of information that came out of those forums, which were a huge success.

CHAIR: What attracted the number of people who attended?

Mr QUICK: There is a vocational consultant in the Hunter named Di Garis. She is an absolute powerhouse. Her engagement with the Director of VET in Schools, Sydney, provided the funding and also some of the energy that went into bringing that together. The other thing, of course, is that Di was working directly with the Ai Group project officer at the time. So it was a collaborative approach to the success of those forums.

CHAIR: Have you got the Illawarra case studies in a written form, and if so could we get those?

Mr QUICK: I can certainly provide you with ten copies, if that is desired.

CHAIR: If you would not mind. That would be much appreciated.

The Hon. GREG DONNELLY: Can you give the Committee some indication of the incidence amongst employers of paying over-award payments to young people doing apprenticeships as a means, at least in the minds of the employers, of attracting and retaining apprentices in their four-year apprenticeship training? First, is that something that happens? Secondly, if it does, is it commonplace or otherwise?

Ms LILLY: We are happy to give you an answer to that, but it is anecdotal. We have a preliminary survey on that, but it has not been completed and therefore the results of it are not available. The answer, drawn from a lot of anecdotes, is that over-award payments are variable, with some employers being happy to pay above the award wage, but with many who do not. Group training companies tend not to pay over the award, and there is a huge amount of employment through group training companies, and that is quite a significant balancing factor. The preferred practice would be to have an apprentice on for whatever period of time: it might be an informal probationary period, and not part of any formal agreement, and the success or otherwise of that might be a consideration in trying to keep those apprentices if the employer considers them to be good.

The Hon. GREG DONNELLY: Other than payments of higher amounts than the award might provide for, are you aware what other things employers might do to try to attract and retain young people during this training period? Has that come out in any survey work you have done with your members—in other words, non-paid incentives or arrangements?

Mr QUICK: It depends on the type of enterprise, but we have member companies who have their apprentices in China, for instance, or in the United States of America as part of a service agreement. But that is a rare thing, I guess. It certainly happens in the Hunter. In relation to other incentives, Megan mentioned the idea that once a probation period has been achieved the employer often will pay second-year rates as opposed to first-year rates. As you may be aware, because I noticed that Paul Bastian was set to speak to the Committee this morning—

The Hon. GREG DONNELLY: He was, but he did not make it.

Mr QUICK: We have been party to a great deal of work with the Amalgamated Metal Workers Union [AMWU] and the Metal Trades Federation of Unions [MTFU] in making an apprenticeship more competency based and allowing for accelerated completion. We have been in consultation and negotiation with the union regarding increasing the pay rate for those who have completed year 12 and year 11 — to differentiate the attendances between the year 11 leavers and the year 12 leavers. So with the year 12 leavers it is acknowledged that there should be some differentiation in pay. We have not fully reached an agreement on what that differentiation might be.

That is before Deputy Commissioner Marsh at the moment, and we are awaiting a decision. But, to be fair, the AMWU has put a lot of work into coming up with something in that regard, and we too have put a lot of work into making the apprenticeship more appealing by accelerating outcomes.

We have also been instrumental in New South Wales in being the first industry sector to promote accelerated apprenticeships for mature-age people in that we have now written into the vocational training orders an accelerated pathway for someone who has been working in the industry for some time but does not necessarily have the full qualifications. That is now in concrete in terms of an opportunity for them.

The Hon. GREG DONNELLY: Thank you very much for this report, which looks very detailed and thorough. Obviously, I have not yet had a chance to read it. One of the things that struck me as we travelled around the State is that, particularly in the smaller regional towns, which have a smaller number of employers, the employers were experiencing issues of skills shortages. How do you think this model — which has worked, it seems, pretty well into regions that have a large, critical mass of people to enable leveraging of enthusiasm and all the rest of it from that—can be applied in say a small town of a few thousand people? For example, we were in Moree yesterday, where there are issues with employers struggling to find tradespeople in the building, boilermaking and mechanical enterprises. Do you think what you have learned from this study may have application in a small town or small centre? If it does, how might that be achieved?

Mr QUICK: The success of those projects essentially derived from the fact that they are community focussed. So it is not necessarily the size of the community, but the diversity of the community, that adds the real wealth to that particular project. As I understand—and I have read over many years now of the success of some of the programs that Moree has been able to put into place—in Moree it is all about community, and it is all about working together. I can see a similar approach being taken in many of the regional centres, and in particular in those that have a reasonable number of employees, because at the end of the day it is the employers who really offer the jobs. So, wherever there is a pool of employers — and we have agencies across the States who are dealing with the issues of labour market and education — we will be able to bring any number of those together as a community group. I think they would probably be even more successful in their own eyes than say someone from a larger regional base.

Ms LILLY: Even though we talk about these projects as being community-based and partnerships, it is really important to understand that they are employer driven. That is very important positioning in terms of enabling them to reach out to engage and generate employment solutions or skill solutions.

The Hon. GREG DONNELLY: What struck me is the disparate quality of the motivational drive by some of the chambers of commerce. Some chambers of commerce have been very switched on and well driven by people who act as catalysts by getting get out there and getting things happening. Others seem to be almost trying to work out what is going on, but are not quite sure how to go about it—even though there may be sister chambers of commerce in other parts of the State giving it a real crack.

Mr QUICK: I think one of the solutions to that would be to have someone who is able to facilitate that process. Part of the success for us, particularly in the Illawarra, was having someone there helping to provide the foundation for creativity and bringing together some of the other ideas that perhaps they were aware of but that the chamber of commerce people may not have been.

The Hon. PATRICIA FORSYTHE: I would like to congratulate the Ai Group on what it has done to develop strategies that work. I have had a look through the submission, particularly in relation to what you did with schools, because you were doing some things I have been advocating: that is, better training of our principals and careers advisers. I am delighted to see the promotional brochure that you put together with the comparative data and a media campaign. To me, that is absolutely all the way forward. However, I am interested that, under the heading of Program Support, you have an example of engineers and Merewether High School. Merewether High School is a selective school, so that you are going to get the cream of students there, and they are going to have fairly wide choices of employment. What has been drawn to our attention, as we have moved around the State, is the importance of encouraging young people who do not have as many opportunities to do

apprenticeships as a way forward for them. Do you do anything that targets say students at year 10 so that they would see the benefit of either going into an apprenticeship at year 11 or at least that there would be some opportunities at the end of year 12 in traditional trades? Have you also targeted them?

Mr QUICK: In addition to the forums that we held for principals, teachers and careers advisers, we also held some forums in the Hunter for children and their parents. Those were not as well attended as the forums for principals, teachers and careers advisers. But we do hope that in time the effort we put into the forums for advisers, teachers and principals will help provide that impetus for the parents and children to attend. We were also party to the implementation of at least one prevocational course for those who were at risk or struggling, and that was completed in December 2005. So, yes, we are working with those who are disadvantaged, in addition to the high achievers from Merewether High.

The Hon. PATRICIA FORSYTHE: In fact, in your report you note that three or four firms indicate that they are prepared to employ apprentices that have previously undertaken prevocational training. Some of that prevocational training can be undertaken through schools. As a result of the work that you have been doing, are you aware whether any more schools have taken up the opportunity to offer courses of a vocational nature within their curriculum for years 10, 11 and 12 students?

Mr QUICK: There is an increasing number of schools taking up the metals program, for instance, and an increasing number of students who are actually enrolling in those courses.

The Hon. PATRICIA FORSYTHE: The metals area, in the last 20 years, has gone from being available in most schools—at least where boys were located—to almost no schools. Is it part of the way forward that we re-address the nature of the curriculum that we are offering in schools to include that so-called technical level that seems to have been lost in the last generation?

Mr QUICK: I think it is a component. It has certainly worked well. In the Illawarra, for instance, we have seen the reinstigation of metals at Edmund Rice College—one of our strongest metals schools eight years ago who felt that the interest had waned, so they discontinued. But through some good work of my predecessor with the Ai Group, who was based in the Illawarra, Dennis Dal Santo, he helped, I guess, reactivate that interest and they have a full class this year. The interesting thing about VET in Schools and the metal program in particular is that there appears to be no shortage of companies willing to take on the VET in Schools students for their compulsory work placement. So there is less of a problem there than say there is in ICT and tourism and hospitality. I guess we are providing less of a barrier in terms of interest on the part of employers to those students.

Ms LILLY: Can I also add in terms of some of the strategies, the broader set of strategies we have nationally to deal with this whole school engagement, particularly around areas of vocational and occupational relevance to us, we did develop the Adopt a School kit that has been rolled out nationally. That came about being developed from seven case studies that the Ai Group generated in various destinations around the country. That is again taking that approach that I identified before—getting the employers to drive the engagement with the schools and building a really strong and sustainable partnership, which does include curriculum options, work experience, careers evenings and a broad suite of things. It is not a definitive model but very, very important in the engagement that you are talking about.

One of the other initiatives that we are working with in conjunction with Manufacturing Skills Australia, which is the national manufacturing industry skills council, is what is notionally at the moment called the manufacturing entry program. It has been picked up in Queensland for early adoption next year and the other States are having a look. That is a mainstream subject in years 11 and 12 that gets full points for university. When I say that, I know each State uses different terminology but it actually mainstreams some of those issues and those learning opportunities around that. We believe that will be a major breakthrough in some of these initiatives as well. It is not just about lower achieving. We actually need to switch on that whole generation.

Mr QUICK: If I might give you an example of what is happening in Rutherford, for instance. There are a couple of employers up there that are engaged with the local high schools as part of the Adopt a School approach.

The Hon. PATRICIA FORSYTHE: Rutherford Technology High School, no doubt.

Mr QUICK: Yes. There are a few of them. There are at least three high schools in Rutherford and Maitland that are working on this. One company is allowing their school's top engineering student to participate in the design of a new piece of mining plant. So that company in consultation with three other companies—one hydraulics, the other computerised and the electrical and mechanical side, three parties to this development—have encouraged their students to come and fully participate in this development project as part of their engineering studies. Another company is providing resources to the metals teachers to help them with their curriculum.

The Hon. PATRICIA FORSYTHE: Broadly speaking, in the area where the Ai Group is strong, the metal trades manufacturing area, have the days of the 16-year-old apprentice now passed? Are firms really only willing to take students at the end of year 12?

Mr QUICK: There is a mix. There is that employer who wants to have a 16-year-old and mould him over time. There are other employers who look to their apprentices as future technicians. For instance, Cargills in Narrabri are looking for their apprentices to have a UAI of 75. That would provide them with entry into some of the universities, but what they are after is people they can then develop much further into the higher levels of their management. Different approach, different enterprises. You will find that some of the employers who left school at 15 and took up a trade and have undertaken no further training are more likely to promote year 10 leavers whereas those who have tertiary qualifications are more likely to ask for someone with a higher qualification.

Ms LILLY: Employers are also very attracted to taking on apprentices after they have done a pre-apprenticeship program. They like that recruitment pool to draw from.

CHAIR: Do you have anything to add?

Mr QUICK: If I may, on something that came to me this morning from my discussions with people in the regions. I did suggest to a company last year that they undertake some scholarship program to encourage years 11 and 12 students to undertake engineering studies or metals and provide those students with money and also for some employment opportunities over the school holidays. I heard this morning that they do have two students this year in such a scholarship program. The idea for that came from Port Waratah Coal in Newcastle to offer a range of scholarship opportunities for apprentices and graduates. It is a way in which companies can invest a little bit of money upfront and save them a lot of money in the longer term.

The Hon. GREG DONNELLY: You may know this or there may not be an answer to it. I know the Ai Group focuses on the skilled trades area. Is there any organisation at the employer level who is looking at trying to deal with the issues associated with semiskilled and unskilled labour issues in the regional and rural areas?

Mr QUICK: We do also look after the non-trades. You may be aware that the metal trade was one of the first to have a careers pathway from the unskilled workforce through to technician. We do have programs in place—the Engineering Production Certificate or the Certificate II in Engineering. What some people are doing, particularly, for instance, the McArthur area where we have the MARS project, we put people in at the lower level and then the employers rolled them over into apprenticeships depending on the success of the outcomes of those lower-level certificate programs.

The Hon. PATRICIA FORSYTHE: What is MARS?

Mr QUICK: Macarthur Apprentice Recruitment Strategy.

Ms LILLY: It is also written up in our Adopt a School kit.

Mr QUICK: The follow-on from that was called "masters", but that is another story. It was a process that was undertaken by the group training companies and local TAFE in association with the Ai Group and looked at recruiting children from school and putting them through that first level or

traineeship program, expanding that to include other areas of trade, like electrical and mechanical and fabrication together, and then determining what their attributes were and deciding which employer they would be best employed by. Yes, we do have a program for the lower levels. We also have implemented this year in New South Wales the competitive manufacturing initiative, which is aimed at those people working in production and introducing them to lean manufacturing and agile manufacturing and quality programs to enhance both their capabilities and the capabilities within those organisations.

CHAIR: Thank you for your submission and for coming from Melbourne. We appreciate your time and effort.

Mr QUICK: If I am sending across the 10 packages, are you aware of our promotional CDs, Zoom Plus for instance or the boating CD?

CHAIR: No, we would like to have that.

Ms LILLY: And we will send the Adopt a School kit as well.

CHAIR: Thank you.

(The witnesses withdrew)

CHANDRA SHAH, Researcher, Centre for the Economics of Education and Training, Monash University, Victoria, affirmed and examined:

CHAIR: Would you like to make a brief opening statement?

Dr SHAH: Thank you for inviting me to speak to this inquiry. My expertise is in the area of economics of education and training in the labour market. Recent work that I have completed includes issues related to skills shortages, labour turnover, analysis of demand for skilled labour in specific occupations in the resource industries in Western Australian, and skilled migration to Australia. I have been working in this area for the past 10 years.

CHAIR: In your working paper "Skills shortages: Concept measurement and implications" you discussed the definition of the term "skills shortages" and the importance of understanding the concept in relation to market conditions and notions of supply and demand. Can you explain this?

Dr SHAH: The term "skills shortage" is used in a very broad sense. Depending on whom you talk to, they have a different understanding of what it means. Research done in the United Kingdom has shown that employers' responses to skills shortages can vary significantly. It is important, and they find it important, to differentiate what the meanings are. When they did some research on this using employer surveys they found that of all vacancies reported by employers 80 per cent were not skills shortages as we understand it to mean or very hard to fill vacancies. Some of them thought that recruitment difficulties were the same as skills shortages; some of them associated skills gaps in the existing work force as skills shortages. It is very important to differentiate employers' responses to skills shortages from questions of skills shortages. The policy responses can be quite different depending on the problem.

CHAIR: What is your definition of "skills shortages"? Do you think that any particular job has a skill to it? Is that how we should measure it? Or do you see skills meaning an educated work force?

Dr SHAH: All jobs require certain kinds of skills to produce efficiency. A bundle of skills are required depending on what the job it is and what occupation it is in. The most common understanding and definition of skills shortage is that it is a number of jobs that cannot be filled in existing market conditions, meaning that at current wage rates employers find difficulty getting personnel to apply.

The Hon. GREG DONNELLY: Can we therefore use the term "labour shortage" interchangeably with "skills shortage"? Is that the point you are making, that we are really talking about a deficiency in the market having an equilibrium point where supply and demand —

Dr SHAH: This is an interesting issue because generally when people talk about skills shortages they are thinking about skills in particular occupations and, therefore, the skill associated immediately to that. It is possible to have shortages of unskilled labour and semi-skilled labour. One of the issues facing most countries with an ageing population is the supply of carers and aged carers, who do not come strictly under the ABS definition of skilled workers; they are semi-skilled or sometimes simply unskilled workers.

CHAIR: Australia is facing an ageing population. Will there be a change in the way we look at the supply and demand for labour?

Dr SHAH: As the population ages the supply will decline. However, because of policies currently being implemented and encouragement for older workers to stay longer, that supply may not decrease as fast as has been projected. Other things that can alleviate some of those pressures on the supply side could be immigration and technological changes. A number of things can alleviate the situation. It is not necessarily a complete gloom-and-doom situation.

CHAIR: Is the solution for Australia to be found in Australia and by Australians, or do we need a migration program to fill the gaps?

Dr SHAH: In using migration as the labour policy to solve all the skills shortage or potential skills shortage problems — and we must first identify whether there are genuine skills shortages — policymakers should not simply look at anecdotal evidence; that is not sufficient. Using migration as the main lever is fraught with problems. There are political problems and problems in deciding which area will be selected for migrants. Will they come here under the skilled migration program or the humanitarian and family reunion programs, will they be permanent migrants or temporary migrants? All of them have their own problems. We must think in terms of the costs and pressures on the infrastructure and other things. Who will pay the costs if we allow unlimited migration? Will they be borne by employers or the public? If we allow sponsored migrants who are tethered, so to speak, to employers, we will also distort the labour market, because those migrants coming on temporary visas for four years, for example, cannot respond to wage signals and that leads to inefficiencies in the labour market.

CHAIR: What are governments' responsibilities for the future? What should we be doing?

Dr SHAH: A lot of things. First, government needs to consider policies that are based on good evidence. Unlike the United Kingdom, Australia does not have a good survey assessing skills shortages, skills gaps, and recruitment problems. The United Kingdom has implemented a national survey and it differentiates the problems. It has been doing that for the past seven or eight years. That is the first issue: Information needs are most important. That information also has to be disseminated to all players in the labour market — employers, parents, students and workers.

Information does help to balance out the labour market in a sense, so it is very important that information is available to all players; information about wage rates, employment conditions and so on. Then there is training and education. You can solve problems of skills shortages by adjusting and relocating resources in education and training but, once again, the policy has to be based on good analysis and good information.

I presented an example in the paper about the IT industry and how policy lagged behind what was happening; not only that, policy was made on information, which could not be verified. It was based on old information and information provided by certain groups and by the time the policy was implemented the bottom had fallen out of the IT industry and there was a surplus of labour and unemployment among certain IT professionals. It is very important that policymakers take account of good analysis of data, which has been collected unbiasedly.

The Hon. PATRICIA FORSYTHE: Is it a truism that in times of significant economic growth there will be skills shortages?

Dr SHAH: Skills shortages will exist at all times basically and the market will sort them out in sufficient time but when they persist over a period of time, that is when intervention is required. Often governments are required to implement something or develop policies when it really should be the role of the market to sort the problem out. There will be certain short-term problems when the economy is growing very strongly and there maybe shortages in some areas but not in other areas, so in those times when you have good information available to all players in the labour market and the training system is able to adapt to the emerging needs, then you may be able to sort the problem out as you go along.

The Hon. PATRICIA FORSYTHE: In your paper "Skills Shortages: Concepts, Measurements and Implications" you say that "Many of the reforms to the training system in Australia over the last 15 years have been directed at improving the responsiveness of the training market". Taking that as the basis, have you been able to draw any conclusions that in fact, rather than just "directed at improving the responsiveness of the training market" there has been an actual improvement in the responsiveness of the training market?

Dr SHAH: I think there has been. You have a number of programs, which are directly responsive to employer needs; for example, user choice. TAFE colleges are in a number of States quite independent now in the way they are allocating internal resources, although there may be some government direction towards particular areas, internally they are allowed to a certain extent. I am mainly talking about reforms and changes in the TAFE education area.

The other changes are things like training packages. There is still a debate going on about whether they have improved things or whether they have made things worse but some of those reforms are quite substantial and they take a while to bed down and you do need fine-tuning. There is a negative feedback loop all the time there. The Australian education and training system is regarded quite well internationally. It does not mean there are still more improvements that cannot be made.

Obviously in times of high economic growth and potential labour problems in terms of shortages, more resources need to be put into the training system. However, having said that, you still need to be able to attract people to take up those training courses.

CHAIR: You referred to the United Kingdom's survey. What is that survey called?

Dr SHAH: The name has changed and I will send you that. In fact, I can send you their latest report based on the survey. It has the questionnaire design on the back of it.

CHAIR: That would be very much appreciated.

Dr SHAH: That is a report of 2005 based on the survey done in 2004.

The Hon. GREG DONNELLY: One thing we found as we toured around the regional and rural areas of New South Wales is that when the economy is not doing so well and when the State is suffering from a drought, for example, which is impacting on the local economy, farmers and businesses, there is a contraction on the propensity to invest in training because obviously the need for that labour is not there. Of course when the economy starts to improve and things pick up the shortage manifests pretty quickly and people have these gaps they cannot fill. Have any policies been applied in countries overseas that deal with this counter cyclical nature where, even during difficult times, there is some capacity to encourage employers to keep up a positive attitude towards training so we do not have this cycle of troughs and peaks?

Dr SHAH: It would be very difficult, given that employers, in those times when the cycle is down, are struggling in a sense, for them to expend even more expenditure on training. That is where partnership between government and employers has to kick in and there is this anti-cyclical movement. I am not aware of specific policies elsewhere which have actually tried to solve a problem like that. Most policies try to have things which are happening on an even keel all the time so that the ups and downs are evened out.

I really do not know how you could force people because we have abolished the training guarantee levy and things like that so it is very difficult to force employers to spend money on training when a business is down. I suppose it is the role of government at that point to step in and say, "We will maintain the training effort so that when good times come we are ready and we are not caught out." But then, once those people are trained, you also have to give them jobs because just training them and putting them on the shelf devalues their skills.

The Hon. GREG DONNELLY: We have heard anecdotal evidence as we have travelled around the State that over the last five years or so employers have been investing less on training. Are you aware of any evidence to suggest that employers in general are spending more, less or the same on training in 2006 in Australia than they were 10 or 20 years ago?

Dr SHAH: I think there is some evidence that the training effort has gone down when you, for example, remember that prior to the privatisation of utilities a lot of the training effort was borne by the public utilities. They used to train surplus to their needs and those people were being taken up by the private sector as ready-made employees. Since privatisation, the people who took over the public utilities have reduced the training. They are running on a very mean and lean labour force.

The Hon. GREG DONNELLY: Training for their own needs basically?

Dr SHAH: Or even sometimes not even for their own needs; they have been reducing their own work force. So, compared to that time trainee expenditure per capita has probably declined in the private sector.

CHAIR: Do you have any idea of the acceptable wage level required to attract apprentices?

Dr SHAH: I have not got a measured figure but my understanding is that in some areas employers pay above the going apprentice wage rate in order to hold onto their apprentices, especially in the final year of their apprenticeship. Sometimes it is difficult to understand some people's comments that they are not paid well so they are not going into apprenticeships. They may not be paid well in the first year, but by the time they are in their third or fourth year some of them in areas of need are being paid pretty well, particularly by employers who intend to hold onto them.

CHAIR: We have heard that attracting apprentices in the early years is difficult because the level of their pay is very small in comparison to other people of the same age who can get a tractor driving job that pays well above what the apprentice is getting. Has any work been done in this regard?

Dr SHAH: I think there are research reports that indicate that first and second year apprentices sometimes are paid less than workers in retail where not much training is required, or in call centres and jobs like that where the amount of training is quite small. How do you overcome this problem and attract young people into apprenticeships when their vision is short term? I think there is an educational factor. Young people need to be alerted to the fact that they will gain most in the long term by pursuing an apprenticeship. That educational program has to be in place to inform young people about what the potential earnings and job prospects will be if they complete an apprenticeship relative to other jobs where they do not require training and the initial level of pay may be higher than they would get as an apprentice. I think you would be able to get detailed figures about relative earnings of apprentices from the Australian Bureau of Statistics publications. They would have some data on that but personally I do not have anything at my fingertips.

The Hon. PATRICIA FORSYTHE: If you were designing a tool for the collection of data to identify firms' projected skills needs over a period of time, how far ahead should that be designed? Should we be collecting data for something that is three or five years ahead? Do we take a short-term, medium-term or long-term approach to data collection?

Dr SHAH: There are organisations in Australia that do labour market projections. I have the most recent table here, which shows the projected employment growth in New South Wales and Australia. It shows the number of people required up to 2011-12. You have to understand that job openings are not just due to jobs growth; they are also the result of turnover. Sometimes turnover is higher than growth in certain occupational areas. There are organisations that make these projections. How accurate they are depends on their judgment of the data because these are very large computer models based on a huge amount of data, including data collected by Access Economics on future investments by firms and things like that. It is all included and manipulated to bring out these conclusions.

The Centre of Policy Studies provides growth forecasts up to about seven years ahead. Making projections beyond that at very disaggregated levels—the four digit occupation level and things like that—gets very rubbery and the data is only indicative. The Department of Employment and Workplace Relations (DEWR) also uses this information from the Centre of Policy Studies and the Centre for the Economics of Education and Training (CEET)—we do a turnover forecast for them—and DEWR puts them all together into models from which it gets information about job prospects in different occupations. It publishes this *Job Outlook*. If you want very disaggregated information, you cannot look more than about three years ahead.

The Hon. PATRICIA FORSYTHE: If you were designing courses for TAFE and university to respond to need, I would have thought you would need a minimum of a year or two lead time. I am looking at what the structural problems might be in developing a truly responsive public policy. Who does it well? I think you mentioned something about the collection of data in the United Kingdom.

Dr SHAH: I was referring to skills shortages, not demand for labour. Skills shortages information is about what employers are experiencing at the time and what they expect in the near future. Some of them may give indications more than 12 months ahead, but I doubt if there would be many employers saying, 'I can see three years ahead and these will be my skills needs in three years'

time.' That would not be accurate; they would only be indications. For example, we did some work for the Western Australian Chamber of Commerce and Industry. This was a project on behalf of resource companies such as Woodside Petroleum and BHP Billiton, and so on. They were concerned about the availability of skilled labour over the next 10 years. They were able to give us some indicative data on demand for labour over the next 10 years. There were a lot of uncertainties associated with that. The figures were conditional on projects going ahead, financial approval being given by the banks and the market being sustained, and so on. When you factor in all those things, it is quite difficult to come up with an exact figure that will be true in 10 years' time. The UK skills survey was about what was happening currently.

The Hon. PATRICIA FORSYTHE: So we can give an accurate picture of what is happening today, but that is not a forecasting tool?

Dr SHAH: Not necessarily, but it will give you indications. The UK survey also gives information about skills gaps, which are the skills deficiencies of currently employed workers.

The Hon. PATRICIA FORSYTHE: Your comment is that we do not even have data that is anywhere near as accurate as that?

Dr SHAH: No.

The Hon. PATRICIA FORSYTHE: Would that be a starting point?

Dr SHAH: Yes. The main data collection is done by DEWR. They collect it by ringing up employers who advertise vacancies and they follow up the same employer four to six weeks later to find out if the vacancy has been filled. If it has not been filled they classify it as a hard to fill vacancy. They ask for a limited amount of information over the telephone. It is not as comprehensive as the UK survey in that it cannot differentiate very well whether the skills problem was a skills deficiency, a skills gap or a genuine shortage.

CHAIR: Might we have that document with those figures?

Dr SHAH: Yes. I also have a couple of other tables about what jobs migrants have before and after they migrate and whether we are using the skills they bring as well as we could. The data suggests that a lot of migrants downskill after they migrate. Similarly, their inter-occupational mobility shows that when people move jobs in some occupations such as trades, a significant number go into semiskilled and unskilled work. So if there is a shortage of trade skills why are these people going into jobs requiring lower skills?

CHAIR: It would be handy to have that table as well.

The Hon. GREG DONNELLY: One of the key issues we have identified in travelling around the State, and it is not new, is the drift of young people in particular from regional towns and centres to either the big population centres, such as capital cities or big cities, or the coast. Time and time again people have bemoaned this drift of young people from rural and regional areas. Are you aware of any examples in Australia or overseas of successful promotion to encourage people, young people in particular, to move from cities or big population centres to rural and regional areas to take up employment opportunities in those areas?

Dr SHAH: We had a speaker yesterday at our centre who had presented at the Productivity Commission, talking about migration in the United Kingdom. He said that in London there is a shortage of teachers and nurses, for example. People do not want to work in London because it is too expensive. In Wales, teachers are queuing up at schools to get jobs. Over there it is the opposite situation because of the cost. Once the cost differentials become that lopsided in Australia you might find a drift back to rural and regional areas.

The Hon. GREG DONNELLY: You mean more than they are now: do you think we should further increase house prices in Sydney!

Dr SHAH: The problem in Australia is that in some regional and rural areas the whole economy collapses once a large employer moves out. When banks and other employers move the economy collapses and all the skilled labour is sucked away. It does not leave a sustainable economic unit and it is not surprising that people leave.

The Hon. PATRICIA FORSYTHE: Do you have a figure for what is a sustainable city size? The Americans used to use such a figure.

Dr SHAH: I would just be guessing.

The Hon. PATRICIA FORSYTHE: You do not have statistics on that?

Dr SHAH: No. If I said something it would not be based on research I have done.

CHAIR: One of the problems in attracting a workforce to rural areas is in the farming sector where unskilled labour rather than skilled labour is required for fruit picking. What is your view on trying to fill those vacancies? Does the solution lie within Australia or do you see this labour being sourced from the migration program? Have you done any work on that?

Dr SHAH: I have done a little work on migration. Australia likes to think it relies quite a lot on working holidaymakers to fill the gaps. When you do the research on working holidaymakers you find that 70 per cent of jobs they held were in hospitality in city areas, not in fruit-picking in the rural and agricultural sectors. The Federal Government thought it could use this lever to solve the problem of the unskilled labour shortage in the agricultural area by extending the time that a working holidaymaker can stay in Australia. They have extended it to two years provided that the holidaymaker has had one job in the agricultural area. It used to be just 12 months. The working holidaymaker program is being extended to more and more countries and I suspect that you will get an increased supply of labour through that.

CHAIR: In rural areas, particularly in agricultural and fruit-growing areas, demand is becoming more than seasonal. There are many more permanent vacancies for people to work nine or 10 months of the year. Is there any data on that? What is the solution to that problem?

Dr SHAH: The ABS surveys would sample what happens there but the sample size would be quite small so it would be difficult to gauge the true nature of what is happening. A simple solution to increasing labour is to raise wages. But then you face the problem of national and global competition.

CHAIR: I think it is more than that. It is not so much about wages. I know increased wages would attract more people than are there at present but the real problem is the nature of the work. It has changed. Years ago the culture was different: people would roll up their sleeves and get out and do the work. Many farmers did their own harvesting. That has changed now; not so much of that goes on. It is not an easy job—it is pretty hard. Therein lies a big problem because you are trying to attract the export niche markets but you cannot get your fruit off within the short time frame needed to reach those export markets. That is a problem.

Dr SHAH: The economic theory on migration suggests that once you bring migrant labour, particularly seasonal migrant labour, into a particular sector of the economy—you usually bring them in because they can be employed at a lower wage—it results in the flight of native labour out of that sector. The more you bring in, the cycle becomes like positive feedback and more and more local people will leave that sector. So you will become more and more reliant on outside labour. I suppose that is the sort of thing that is happening in Australia. We are becoming more and more reliant on working holidaymakers to provide the labour so local people are leaving that sector. You get fewer and fewer Australians saying, "I'll go and do some fruit picking in my summer holidays". They are staying in the city and doing other things instead. The economic theory suggests that that is what happens. I am not sure whether it can be tested but what is happening with fruit and vegetable picking and in rural industries and how they are becoming reliant on working holidaymakers suggests that it may be true.

The Hon. GREG DONNELLY: The agricultural industries in California, for example, must surely be the case study.

Dr SHAH: They are based almost entirely on Mexican labour—a lot of it illegal.

CHAIR: Dr Shah, would you like to add anything?

Dr SHAH: I have two other tables that might be of interest given that we are talking about skills shortages and a lack of labour. The Dusseldorp Skills Forum—a non-profit organisation—released a report last year on how young people are faring. It contains a couple of tables, one of which is for 15- to 19-year-olds. They were asked questions from the ABS survey: "What are you doing?", "Are you studying full time", "Not studying full time" and "Would you prefer more hours of work?". Of those who were not studying full time—they might be studying part time—60 per cent said that they would prefer more hours of work. Among 20- to 24-year-olds 55 per cent would prefer more hours of work.

This comes back to my original statement, which is that when you make policies to solve skills shortages problems you need to look at various kinds of information to see what is the true picture. You cannot rely on information from just one group or one area or on just anecdotal information when making public policy. Various different sources of information will tell you what is happening and if you see a common pattern that will give you information about whether there is a genuine problem and whether public policy intervention is required.

CHAIR: Could we have copies of those tables?

Dr SHAH: Yes, I will leave that information with you.

CHAIR: Dr Shah, thank you very much for your input this afternoon. Thank you also for your submission and for making the effort to attend.

Dr SHAH: It was a pleasure.

(The witness withdrew)

(The Committee adjourned at 3.37 p.m.)