



Associations Forum National Conference

August 27-28, 2008

Sydney

**How unions, associations and government can
address skills shortages;**

- **The skills crisis, young people and
construction**
- **A training levy for the construction industry**
- **The role of government**
- **The CFMEU – Koori Job Ready Program**

**An address from Andrew Ferguson
NSW Secretary
Construction Forestry Mining Energy Union
www.cfmeu-construction-nsw.com**

It is well recognised by government, employers, academics, economists and trade unions that the building and construction industry is facing a serious shortage of skilled workers. These shortages are more acute in some states, regions and trades than in others.

Some of these shortages are short term, created by a strong economy and in some states specifically are a product of the expansion of the mining sector to meet the needs of unprecedented economic expansion in China and India. However, the current level of non-completion of apprenticeships, volatile training rates and the ageing of the workforce suggest that unless action is taken, long term shortages will become endemic.

The CFMEU recognises that in the short term temporary skilled workers e.g. 457 workers and long term skilled migration can make a significant contribution to the supply of skilled labour to the industry. However we state our opposition to a dependence on temporary guest workers, overwhelmingly treated as second class citizens and often subject to extreme abuse and exploitation, being stolen from poorer countries who have trained these workers.

Outlined hereunder is a 10 point plan proposed by the CFMEU to address the skills crisis;

1. Improve Apprentice Wages and Conditions of Employment

Recent studies have shown that there are alarming levels of non-completion by people entering apprenticeships in the building and construction industry. A 2004 study in Queensland, found that between January 2001 and March 2004 there was an overall cancellation rate of 44.3% for apprentices in the building and construction industry. It also found that 77.8% of cancellations occurred in the first two years (47.3% of cancellations were in the first year and 30.5% of cancellations were in the 2nd year). The top two reasons given by apprentices for these cancellations were conflict with the employer (30.3%) and financial i.e. low wages and leaving for a higher paid job (27.5%). The highest levels of completion are in the areas of employment covered by CFMEU negotiated enterprise bargaining agreements where apprentices receive better wages and conditions of employment.

The low level of apprentice wage rates has also been identified as one of the two significant structural reasons for the growing gap between the supply of, and demand for, skilled tradespeople. It is widely recognised that apprentices in the main are no longer 15 and 16 year olds. Most 1st year apprentices are now 17 years of age and older. They have generally completed year 12 and may have already undertaken some VET training at school or have already gained skills in the workplace. The majority of job ads for apprentices require the applicants to have a driver's licence and their own transport, yet at the same time they are expected to work for a pittance of a wage.

The facts are that apprentice wage rates under the building and construction industry award are lower than rates for equivalent trade level courses in other industries and significantly lower than trainee wage rates. A 1st year apprentice carpenter in NSW is paid a base rate of \$9.24 an hour under the award. Employees with fast food chains

are paid more and do not have to get up at 5.30am and work in a dirty, physically arduous and dangerous industry.

The union has consistently raised the need to increase apprentice wage rates. Our agenda is constantly opposed by employer organisations. The employers hide behind the smokescreen of Commonwealth payments such as the tools for trade program and other government allowances, which do not address the problem of low wages.

The union understands the industry and acknowledges that widespread subcontracting and tight margins make it difficult for employers to pay apprentices more and offer them ongoing employment. Yet this is not new, employers have long complained of these problems. Previous generations of employers worked under similar conditions but it did not stop them fulfilling their broader responsibility to provide training for the next generation of building workers. In addition to employers meeting their obligations, we believe government should give these employers more support e.g. government payment of TAFE fees and full exemption from payroll tax and workers compensation premiums for the apprentices they engage.

Unless something is done now to improve rates of pay for apprentices then the industry will not attract the quality of young people that employers bemoan they cannot attract. If we cannot draw enough young workers from this generation, the situation can only get worse as the falling birth rate reduces this age group as a proportion of the workforce.

We need to make the building and construction industry an industry of choice for school leavers. But to achieve this in our modern society, where instant gratification and short term outlooks are increasingly the norm, we will have to at least match the better wage rates being offered to apprentices and trainees and new entrants in other industries. Glossy leaflets and slick advertising campaigns are not enough. It is well past the time employer organisations worked with the union to improve wage rates and conditions of employment.

2. Introduce and Expand Training Funds

One of the innovations of the building and construction industry has been the establishment of industry training funds. These funds are now operating in Western Australia, South Australia, Tasmania, the Australian Capital Territory and Queensland. These training funds are established by state legislation and funded by various types of levies on industry. The most common is a levy of approximately 2% on the contract value of residential, commercial and civil engineering projects where the total value of construction is over a certain limit e.g. \$20,000 in WA. These funds provide a range of financial support for employers and workers involved in training and for apprentices/trainees. These funds are in addition to other financial incentives offered by state and the federal governments.

Despite some early opposition from employers when they were established, these industry training funds are now widely accepted and recognised as providing much needed assistance to the industry. What is perhaps surprising is that the two largest States, in terms of construction employment, do not as yet have industry training funds. The CFMEU calls on the key stakeholders in New South Wales, Victoria and the Northern Territory to urgently consider establishing industry training funds.

After a decade of submissions and lobbying and an inquiry by the CFMEU in NSW the state government is finally considering a levy. These levies should be not just established in every state but significantly expanded with the funding used to assist in increasing apprentices' wages and support for employers who employ and train apprentices. The cost of training and employing apprentices needs to be significantly "socialised" so that good employers in an environment of extreme competition are not disadvantaged by their contribution to trade training.

Another example of a levy that could be introduced is on the importation and manufacture of tiles to fund training in this sector. The present uptake of formal apprenticeships in Australia for wall and floor tiling is the lowest for a decade with only 300 graduating from Australian TAFE colleges in 2007. The introduction of a tiling levy is supported by the Australian Tile Council. These types of sector specific initiatives could do much to expand industry training.

3. Training Quotas and Government

In 1999 Construction Training Australia (CTA), the then national training advisory body for the building and construction industry, released its *Building and Construction Workforce 2005 Strategic Initiatives document*. It stated that:

"CTA together with the State/Territory ITABs should lobby Commonwealth, State and Territory Governments to legislate to have apprentices/trainees employed in all governments' procurement contracts, commensurate with the value of the contract amount."

Since 1999, Queensland, Western Australia and Tasmania have implemented policies that meet this initiative. The Queensland "10% Training Policy", which was introduced in 1993:

"requires that a minimum of 10% of the total labour hours on any Queensland Government building or civil construction project (over \$250,000 for building or \$500,000 for Civil Construction) be undertaken by apprentices, trainees or cadets and through the upskilling of existing workers to a maximum of 25% of the deemed hours. They must be engaged in training that has been approved and leads to a nationally recognised building and construction qualification.

"Contractors will be required to provide evidence of compliance with the policy and this information will ultimately be considered in any review of their eligibility to tender for future Government work."

If a contractor fails to comply with the policy, the penalties they can face range from a warning to, in theory, exclusion from future government contracts. These are good initiatives but greater efforts are needed to ensure compliance.

Where these training quotas exist, they apply to head contractors and sub contractors engaged on government building and construction works in the residential and non-residential sectors. It does not apply to civil work in many cases. These quotas need to be expanded and better enforced. Finally, in the last round of enterprise bargaining in the building industry clauses in thousands of CFMEU negotiated enterprise bargaining agreements (EBAs) that provided for quotas for the employment of apprentices were removed because of federal

government policy. It was argued that negotiating the engagement of apprentices in an EBA was a matter “not pertaining to the employment relationship” and was prohibited. This type of government stupidity needs to be addressed.

The union believes that this type of approach i.e. quotas for training and apprentices should be adopted and implemented by all levels of government, i.e. federal, state and local. If such a policy was introduced, it would alleviate a significant proportion of the vacuum of skilled workers created by the disastrous outsourcing policies adopted in the 1980s and 1990s. The public sector used to be the engine room for the training of apprentices in decades past but economic rationalists dismantled public sector employment and this significant training ground for supplying skilled labour to the building and construction industry.

We suggest that the federal government take the lead on this issue in the same way that it has recently legislated for occupational health and safety accreditation being a pre-requisite for doing work funded by the commonwealth. On big projects the federal government should also fund training centres so as to facilitate site based training and skill developments.

4. Introduce Competency Based Apprenticeships

When the training reform agenda was first proposed the intention was to convert training to a competency based rather than time served system. Seventeen years and billions of dollars later we are still without a proper competency based system and there is still reluctance in some quarters to move down this path.

The CFMEU supports competency based training, but this must be based on competency demonstrated on the job in normal work conditions. When people are tested for their driving licence they are required to demonstrate their competency in a real car on real roads with all the hazards associated with driving on a public highway. The testing of competency in trade skills should be undertaken in a similar fashion

The training packages developed for the construction industry have attempted, as far as permissible under the ANTA guidelines in force at the time, to make it clear that competency is to be demonstrated on the job and consistently over time.⁸ This of course provides a challenge to training providers and those who support fully off the job training, but demonstrating competency on the job is essential if we are to achieve a fully competency based system.

5. Reduce the Length of Apprenticeships

Traditional apprenticeships in the building and construction industry, such as carpentry and plastering, were based on a 4 year contract of training. This time frame was introduced in the 1970s to address the skill shortages being experienced in the industry at that time, and was a reduction from 5 year apprenticeships.

Under the traditional apprenticeship, training was provided through formal off the job training, conducted at a registered training organisation (RTO) such as a TAFE college or other private provider, and informal training conducted by tradespeople on the job. The formal off the job training was arranged so that the apprentice spent one day a week at the RTO and the rest of the week on the job.

In recent times off the job training has been conducted in block release arrangements, where the apprentice spent 4 to 6 weeks at a time upfront at the RTO and the rest of the time at work on the job. This reduced the interruption of work that was occurring by apprentices being away one day per week. The formal off the job training at the RTO was normally completed in the first 3 years, with the final year being the time in which the apprentice developed their skills on the job (although in reality it was the time that the employer recouped some of their investment in the apprentice by having a semi skilled worker at a reduced rate of pay).

If we have a proper competency based system of apprenticeships, the length of time that it takes a worker to complete an apprenticeship will vary, depending on the ability of the individual and the arrangement of the formal off the job training. From discussions with training providers it would appear that the new Certificate III in Carpentry could be achieved in a minimum of two and a half years.

However, training providers, employers and apprentices will want some certainty as to the length of the training contract. The question is how is this to be determined?

We would further point out that most of the States currently make provision for the early completion of apprenticeships (see for example s.57(2) of the Victorian Vocational Education and Training Act 1990 which allows the Victorian Learning and Employment Skills Commission to reduce the term of the training agreement). It appears that very little use is made of these provisions. We suggest that this area should be further investigated with the intent of making the process as simple as possible and more widely known and used.

6. Restore and Fund More Pre-Apprenticeships

A pre-apprenticeship is where a student undertakes a course of study in which they are acquainted with all aspects of a trade (normally equivalent to that of a first year apprentice) as an introduction to the industry. They are not employed during this period and are treated as a student. On completion they receive a statement that they have undertaken the training but are not assessed as competent at this stage. If the student likes the work and then enters an apprenticeship in the same trade, they receive credits for the training already completed.

Pre-apprenticeships were a feature of the building and construction industry until they fell foul of the new ideology that required all training to have a qualification outcome. Under the old arrangements in some states, the student would often be assisted by a potential employer who would subsidise the fees and offer employment if the student successfully completed the course.

Participants in the building and construction industry have always recognised the important role that pre-apprenticeships played in identifying those participants who were not suited or not really interested in working in the building industry, before they started their full apprenticeship. Those completing pre-apprenticeships were actively sought by employers as it meant that they would at least have some useful skills from the first day of their employment and be more 'job ready'.

Pre-apprenticeships should therefore be restored to the level of importance and funding they previously held and become the preferred pathway for anyone wishing to

undertake a trade in the building and construction industry. A further benefit of pre-apprenticeships is that they would also reduce the length of the full apprenticeship.

In implementing pre-apprenticeships, care needs to be taken to ensure that students are not exploited by RTOs charging high fees. Participants should be paid an allowance e.g. to cover travel and associated costs. We suggest that the standard fees for apprentices charged by the state TAFE colleges should be the benchmark. There should, if need be, a government subsidy for such courses. We would also suggest that a quota system be introduced to ensure that students are not deprived of a job opportunity by the sheer number of people undertaking pre-apprenticeships. This would also be important for the efficient allocation of limited public funding.

7. Proper Auditing of Training Providers and Employers

Since the introduction of user choice policies for the selection of training provider there have been a number of reports critical of the quality of training being provided, especially by private providers. Following these reports a scheme of auditing of training providers was introduced and a requirement that providers meet the standards established under the Australian Quality Training Framework.

Unfortunately this audit process concentrates on the paper trail but fails to audit what is being produced, i.e. apprentices/trainees who meet competency standards. As far as we are aware none of these audits have sought to test whether or not the apprentices completing their training (and being signed off as competent by the training provider), actually have the skills of the qualification being awarded. Obviously to conduct these types of audits will be expensive and time consuming, but they are a necessity if industry is to have confidence in the quality of training being provided, and the general public is to have confidence that the billions of dollars of public money spent on training is being properly utilised.

We also suggest that there should be auditing of employers who take on apprentices to ensure that the training plan is being implemented, that there are adequate levels of expertise and supervision to ensure that the on the job training is being carried out properly, that training is being provided during down time, and that apprentices are not being bullied or exploited as cheap labour.

8. Introduce Adult Apprentice Wage Rates

Currently the National Building and Construction Industry Award does not have adult apprentice wage rates, although they are provided for in some of our state awards. They are, however, found in other national industry awards applicable in the metals and furnishing industries.

The union, mindful of the ageing workforce and need to retrain older workers, has sought to address this problem by making an application to vary the award to include adult apprentice wage rates for new entrants.

Unfortunately employer organisations have predictably also opposed this agenda.

9. Identify Skills Gaps in the Existing Workforce

According to the Senate Employment, Workplace Relations and Education

References Committee report, "Bridging the Skills Divide", the Department of Employment and Workplace Relations defines skill shortages as occurring when:

"employers are unable to fill or have considerable difficulty in filling vacancies for an occupation, or specialised skill needs within that occupation, at prevailing levels of remuneration and conditions of employment, and reasonably accessible location."

The Senate report however noted that this definition, and the surveys of skill shortages, did not include information on either skill gaps or deficiencies in the skills of existing workers. It then decided to look at the whole range of issues involved using the term skill shortfalls.

The CFMEU agrees with the approach that one has to look at the overall issue of skill shortfalls if the industry is to address skill requirements. Unfortunately little research has been undertaken on the issue of skill gaps.

There are a number of ways of addressing skill gaps. First of all there is a need to identify what skill gaps there are. Ten years ago skill audits were the buzz words of the training sector, the idea being that all workers should be audited to find out what skills they possess and to identify how their skill levels could be improved. Unfortunately very few skills audits were undertaken and those that were had questionable sample sizes. Now would be an ideal time to revisit the approach of a skills audit for the building and construction industry. We suggest a sample size of between 5-10% of the workforce, equally divided between the sectors of the industry. We note that this would be an expensive exercise but the long term savings brought about by better directed training expenditure in the future would far outweigh the cost.

It must also be recognised by all parties that the effective training of existing workers is just as important as new entrants to industries. This is critical given the projections of our aging workforce. Unfortunately over the last 10 or more years the focus of (the now disbanded) ANTA and other training bodies has been the achievement of qualifications based on the Australian Qualifications Framework. For a significant percentage of the workforce and employers this is irrelevant, as what they require are short courses that provide the immediate skills that are used in the workplace (e.g. forklift licence, basic rigging certificate, hoist ticket, etc). The demand for this type of course is increasing.

The CFMEU is involved in skill centres and training companies across Australia (except Tasmania and the Northern Territory), with the majority of the training provided for short courses e.g. dogging, rigging, traffic control etc. Whilst industry can provide some of the funding through industry training funds, public funding should be available in this important area of skilling and upskilling.

The third important area concerning skill gaps is the identification of the impact new technology will have on the skill needs of the industry. The Australian construction industry is one of the most productive and innovative in the world, yet our use of new technology lags behind some of our trading partners. According to a recent ABS publication Innovation in Australian Business:

- The construction industry had the second lowest proportion of businesses innovating (30.7% of businesses with 4 or more employees)

- The construction industry contributed approximately 5.3% of the total Australian expenditure on innovation
- 3860 construction industry businesses were innovating
- 9.8% of construction businesses introduced or implemented a new good or service
- 20% of construction businesses introduced or implemented a new operational procedure
- 22.4% of construction businesses introduced or implemented a new organisational/managerial process
- The main barriers to innovation were direct costs too high (30%) and lack of skilled staff (27%).

Over recent years there has been an increased effort to improve the take up of new technology and innovative ideas. This effort is to be applauded. However, more can and should be done to link the introduction of new technologies with changes to the training being provided. This will require more collaboration between industry, the various research centres, state training authorities, industry skills councils (i.e. Construction and Property Services Industry Skills Council) and training providers. The recent study *New technology, training and public funding: The case for greater flexibility* prepared for the ElectroComms and Energy Utilities Industry Skills Council, raises a number of issues that should be further investigated.

10. Improve Access to Recognition of Prior Learning

Recognition of Prior Learning (RPL), or Recognition of Current Competencies (RCC) as it is sometimes called, is an assessment process which allows workers to obtain formal recognition of skills that they have gained through previous work, study or life experience. It is normally used when a person starts an apprenticeship/traineeship and their existing skills are measured against the course in which they are enrolled. The worker may not need to complete all of a training program if he or she already possesses some of the skills and/or knowledge taught in the course. Recognition of prior learning can also be used to assess the skills of existing workers.

The majority of workers in the construction industry have developed skills, but have no formal recognition of them. Providing funding to allow these workers to be assessed against industry competency standards, and receive statements of attainment for the skills they already have, will not only increase their self-esteem but also provide valuable data on the skills held by the industry (which need to be recorded on a central database). It will also assist in identifying skill gaps and enable the targeting of training so that existing workers can be trained up to meet the requirements of the industry approved qualifications where they so desire.

Finally, as I advised earlier, the CFMEU is active in the area of skill development. In virtually every state, the CFMEU operates training centres. In NSW the CFMEU established many years ago a not-for-profit training centre COMET. COMET is the largest private training provider in NSW outside of TAFE. In 2007 588 courses were conducted involving 6973 participants. This evidence of our bona fides and contribution to industry training.

We also engage a full-time organiser who seeks to mentor and support building apprentices and assists them when they are underpaid and mistreated. In the absence of a strong union, levels of abuse and exploitation would become more widespread resulting in more apprentices feeling no support or redress and dropping out of the industry.

Furthermore we engage an Aboriginal Liaison Officer and in co-operation with TAFE NSW and the Redfern Waterloo Authority conduct a *Koori Job Ready Program*. Since its inception in 2003 a large number of Koori youth, both men and women, have participated in this course for the building and construction industry. In addition to obtaining important skills across a wide range of trades in the building and construction industry, many participants have developed self-esteem and some hope. The participants receive intensive pastoral care and support from our Koori union organiser. On average, 80% of those who enrol in each course actually complete the course and graduate. 75% of those graduates get employment in the building and construction industry and 79% of those remain employed after one year. A number of these young Koori people, after a lifetime of no hope, have now completed apprenticeships. The CFMEU has negotiated a contract with the Redfern Waterloo Authority for Kooris from this training course to be engaged on Redfern Waterloo Authority building projects. We are seeking that other government departments adopt similar contractual requirements on builders they engage to build roads, schools and hospitals.

Finally we are presently working with Corrective Services Industries in NSW for an expansion of training courses in NSW jails to train inmates, many of whom have worked in the building trade as unskilled workers. We are hopeful that contracts for the construction of new jails can include requirements to give some of the inmates opportunities for jobs and further training. With proper training and support we might save some public money with inmates and newly released prisoners building jails rather than being returned to them.



Letters What apprenticeships?

I am a teenager seeking an apprenticeship in the so-called new age. Yet I have been struck by the inadequacy of the Federal Government, which is supposed to be supporting and helping the younger generation find these jobs.

The radios, the papers and even television have been proudly saying there has never been a better time to get a recognised skill as a tradesman. Yet on the receiving end, I have seen no evidence of it.

I am registered with many government agencies, have applied for hundreds of jobs to companies, virtually sent myself crazy trying to get an apprenticeship. Yet it has gotten me nowhere. I have had promises, and assurances by providers that I would have no problem getting an apprenticeship. They take you in with the highest of confidence, promising they can find you a better job, sooner than any other company could. But once you have signed that piece of paper, you feel as though it has already been thrown in the trash can. They smile as you leave the building, saying: "You will hear from us in a day or two."

Weeks later, you are still hanging by the phone, waiting for that call, but it never comes. So you decide to ring them, and you're always met with the same excuse. "Sorry, they're not in right now", or "leave

it with me, and I will get back to you," or my favourite, "I was just about to call you".

Do they even take it into consideration that people are relying on them for help, to give assistance where needed? Obviously not. So you fall back on your own resources, trying businesses who do not even have the courtesy to reply to an application. And this is acceptable today?

I thought that there was a national skills shortage for tradespeople. If so, why am I finding it so difficult to even get a response from an employer? I thought the much-touted "WA boom" would provide adequate work for people wanting to get themselves a skill. Given the trouble I have been through to find an apprenticeship, I

ask myself: "Is everyone having the same problem as I am?" If so, what is it going to be like in 20 or 30 years when the tradesmen of today retire, and leave it to the next generation?

Sure, there will be skilled people doing the job, but the skills shortage would have far outstripped what we are going through now.

We should ask ourselves: does the Government need to devise a better way for getting the younger generation into a skilled industry?

Mick Russell, Carey Park.