

Submission to Productivity Commission inquiry into Workplace Relations

prepared by

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Introduction

The Federal Government has requested the Productivity Commission (hereafter the Commission) conduct an inquiry into the Australian workplace relations system. The Commission is to prepare a final report by the end of the year. To date it has issued five background papers and provided a six week window for members of the public to prepare submissions. Given the scale the task this is a very compressed timeframe. This submission is much briefer than I would have liked given these constraints. It essentially takes the form of drawing the Commission's attention to extensive research that colleagues and I have undertaken in recent decades that I think it needs to consider. I also draw the Commission attention to a range of literatures that I think it should incorporate into its final report.

Process of review and reform

Labour law reform in Australia has been a matter of almost continuous policy concern for the last three decades – and before then figured often in policy and political debates. Geoff McGill has made the point that this has meant Australia has one of the most unstable industrial relations environments in the western world. Instability here is not a function of industrial disputes – it is policy induced. If there is to be any hope for sensible and lasting reform this cycle of political product differentiation based on labour law preferences must change. Unfortunately the compressed process of this review gives the Commission little capacity to break this cycle. The Commission should, however, note this major problem. The compressed timeframe for its inquiry will minimise its ability to break an unhelpful policy tradition. At the very least the Commission should note that it has been forced into this role of perpetuating a deep-seated problem. It should provide clear recommendations about the reform process noted in the submission from Geoff McGill. Similar ideas have also been noted by Geoff Guidice. I endorse their ideas on this matter. The sooner we can break out of this unhelpful policy cycle the better.

Analytical framing

The five discussion papers prepared by the Commission reflect a strong influence of (a) material prepared by the leading players in the workplace relations system and (b) the English speaking literature on mainstream labour economics. This is important material to grasp. It is, however, far from the richest intellectual literature to draw upon given the Commission's stated interest in being as comprehensive as possible in its consideration of the issues. Given its interest in the changing nature of work in general and the importance of linking a concern with labour law with social, tax, skills and labour market policy the Commission should, at the very least, consider the rich continental European debates on these matters. The prime authors that it must be drawn on are Gunther Schmid from Germany (eg 1995, 2002a and b) and Alain Supiot (eg 2001) from France. Both researchers have done extensive applied as well as scholarly research on these topics, primarily for the European Commission. A particularly powerful piece of analysis in this tradition that explores the complex intersection of law and economics in structuring the labour market is provided by Deakin and Wilkinson (2005). Failure to engage with and draw on the deep insights of the work of these researchers will profoundly limit the analytical credibility of the Commission in this area.

If the Commission is interested in Australian work that draws on these authors I recommend it considers work prepared by teams of researchers I have been involved in recent years (eg Buchanan, Watson, Briggs and Campbell 2006, Buchanan and Jakubauskas 2010, Buchanan, Dymski, Froud, Johal, Williams, and Yu 2013a and b). Important work on the intersection of labour law and practice with tax, social security and labour market policy has also been done by labour law researchers – especially those clustered at Sydney, Monash, Adelaide and especially Melbourne University law schools.

The future of awards

The Commission rightly raises questions about the future of awards. I make the following simple points and note publications which elaborate on these matters at length. I am happy to elaborate orally on these matters if that is of interest.

(a) A powerful and useful legacy

The Australian system of setting labour market standards provides a rich and effective mechanism for handling the complexities of reconciling efficiency and fairness in the labour market (Buchanan 2008).

(b) A changing role

The role awards play in the labour market has changed dramatically over the last century (Buchanan and Oliver 2015). They now essentially provide a very comprehensive framework for regulating the low paid workforce (ie those earning less than two-thirds of median earnings: Buchanan, Oliver and Briggs 2014). Their coverage in the labour market is both direct and indirect – and the balance between those paid exactly award rates, informal overawards, collective agreements and on an award free basis has change dramatically since the late 1980s (Buchanan and Considine 2008a and b). They remain a powerful force in the private sector, impacting directly or indirectly on around 40 percent of such employees, around half of whom (19 percent) are totally reliant on award rates of pay (Buchanan, Bretherton, Frino, Jakubauskas, Schutz, Verma and Yu 2013: 29). Within the private sector this is the most common basis for wage determination (Wright and Buchanan 2013).

(c) They have a potentially very important role to play in supporting the shift to more coherent vocational (ie loosely defined occupational) labour markets.

It is important to consider what the defining principles should be for award coverage – workplace, enterprise, industry, occupation and/or region? This is a matter that has not received the attention it deserves. It is a matter colleagues and I have been examining – indirectly – as a result of research we have been doing into the connections between education and the labour market. I appreciate that the Commission has made it clear that a concern with vocational education is beyond the ambit of this inquiry. This is understandable given the scale of the core matters of interest. Given the paucity of information and analysis on the matter of award coverage I think it useful for the Commission to know of work recently completed on the potential for improving labour market efficiency

and fairness by nurturing what my colleagues and I have called ‘vocational streams’. The key findings of this research are summarised in Buchanan, Wheelahan and Yu (2013 and provided at Attachment 1). More detailed information can be found in Buchanan, Marginson, Wheelahan and Yu 2009, Wheelahan, Moodie and Buchanan 2012, Yu, Bretherton, Schutz and Buchanan 2012a and b, Yu, Bretherton and Buchanan 2013 and Wheelahan, Buchanan and Yu forthcoming and Yu forthcoming). The industrial relations implications of all this research are most explicitly covered in Buchanan, Yu, Wheelahan, Keating and Marginson 2010 : 37 – 41. The labour economics underpinning these arguments – especially the public good benefits of coherent occupational labour markets – are provided in the work of Marsden 1987 and 1999 (summarised in Buchanan 2010 and provided at Attachment 2 below).

Final comments: time to move beyond the 1980s mindset

The discussion papers circulated by the Commission reflect the pre-occupations of policy elites fighting the battles of the 1980s. The world has moved on. It would be helpful if the Commission noted the following.

(a) More attention should be devoted to understanding how the labour market and the labour relations system actually operates – less attention should be devoted to ‘hot policy topics’

Our detailed empirical research has established one key finding: most of the stylised facts that inform debate on Australian labour relations are either seriously wrong or very misleading. A guide to recent large scale quantitative and qualitative studies undertaken by teams I have been involved with is provided above. In addition, there is our work based on tracking 8,000 Australians over five year (see for example van Wanrooy et al 2007, 2008 and 2009)

(b) More attention needs to be devoted to how employer and union strategy shape outcomes – labour market agents are not helpless victims tied down by labour law

There is a remarkable lack of interest by a number of particularly vocal employer associations in what their members can do directly to improve the current situation. Like most players in the IR debate the assumption is ‘the system’ needs to change. Too little attention is devoted to how enterprise level IR and labour management strategy can (and does) make a significant difference. This is especially the case in approaches to developing human capability. A particularly useful historical account of this reality is provided in Wright (1994).

(c) There is a surprising neglect of the changing contribution from international agencies like the OECD, IMF and World Bank on these issues.

Having reflected on the fate of governments loyal to the Washington consensus of the 1980s and 1990s and the GFC these organisations have recognised that social issues are not secondary, rather they are integral to growth regimes. Neglect of them can ultimately be self-defeating (eg deep political hostility to markets in general, not just the 1980s market reform

agenda in places like Argentina and Venezuela) – or very expensive (eg responses to the GFC, growing chronic disease and mental health problems consequent upon declining structures of social support in the labour market). See for example the recent briefing prepared by the OECD, ILO and World Bank (2014) for the G20 labour ministers meeting in September last year. This highlights the importance to treating concerns like job quality and inequality as central and not second order challenges when framing policy on the labour market.

Conclusion

The Commission has an important – but difficult job. It is essential that it notes problems with the Australian policy development and reform process of recent decades, broaden its analytical foundations and draw on the extensive empirical data available about actual practice when assessing the current situation and framing recommendations for the future. I am prepared to help as much as I can (given time and resource constraints) to help it grapple with the complex analytical, empirical and political challenges surrounding this topic.

Professor John Buchanan
13 March 2015

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WORKPLACE RESEARCH CENTRE

Attachment 1

THE UNIVERSITY OF SYDNEY
BUSINESS SCHOOL



THE UNIVERSITY OF
SYDNEY

Getting to a better place: from VET to Vocational development

John Buchanan, Leesa Wheelahan and Serena Yu

November 2013

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Acknowledgement

The paper draws on the insights developed by the research team undertaking a three year project for the National Centre for Vocational Education Research (NCVER) on 'Vocations: the link between post-compulsory education and the labour market'. The two page 'think piece' was drafted with Leesa Wheelahan of the University of Melbourne (and soon to be of the University of Toronto). My colleague at the Workplace Research Centre, Serena Yu, did most of the drafting of the other two papers. The paper has also benefited from comments provided by Damian Oliver. While the NCVER has supported our research it does not necessary support or reject the findings arising from it.

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Getting to a better place: moving from low status VET to effective vocational development

1. The current VET system: some strengths but three major paradoxes

There have been significant reforms to VET in the last 30 years. Some important improvements have been achieved, most notably movement to a more nationally consistent system. Problems persist. Prime among these are three paradoxes:

- (a) While the number of VET qualifications endlessly expands, the connection between work and education continues to be weak in many sectors. Many VET graduates do not end up in the jobs associated with their qualification.
- (b) Recurring complaints of 'skill shortages' coincide with on-going reports of under-utilised skills.
- (c) VET was conceived as the space for vocational development but higher education is increasingly vocational in orientation, siphoning off many higher-status fields that were previously the domain of VET.

These are systemic and not isolated problems. This fact is increasingly recognised by a growing number of stakeholders.

2. Making sense of the current situation: fragmented approaches to human capability development fail to nurture the adaptive capacity of individuals

The current system starts with jobs as they are. The challenge is to nurture individuals able to navigate the uncertainties of the future. This is best achieved by building the capability of individuals to flourish in particular vocational domains. We have been examining how this currently occurs (and identified how it could be done better) in agriculture, engineering, finance and community services and health. A summary of the findings of this research, with special reference to the situation in the community services and health, is attached.

3. Effective vocational development requires improvements in three distinct realms of learning

(a) Learning in industry

This is formally at the heart of the current VET system. Work situated learning is also on the rise in higher education. There can be no learning *for work* without including learning *in work*. Yet most students in publicly funded VET are not in the jobs for which they are training, and many don't have access to learning in the workplace. Moreover, the quality of workplace learning is highly variable and often poor. Is it time to rethink the nature and role of workplaces as sites of learning? In particular, should we be accrediting some workplaces as recognised learning sites and provide public funds for on-the-job learning to such sites? Should priority support be given to workplaces imparting transferable skills – skills that nurture adaptive capacity and exclude public money from enterprise or situation specific skill sets/qualifications?

(b) Learning for industry

Industrial restructuring is pervasive. Australia needs individuals with capacity to rapidly adapt to this reality. How is adaptive capacity best developed? People can't be universally flexible to take on any kind of work. How are domains of relevant expertise to be defined? We have proposed consideration needs to be given identifying families of linked occupations (what we call vocational streams) in areas like: care work, customer services, business/organisational support, engineering, logistics, animal and land management and finance. Are these categories adequate? Should some be deleted and others added? What existing strengths might be lost by moving toward a system built on vocational streams? How are disciplines of underpinning knowledge to support adaptive capacity to be defined? Learning *for* industry requires that students have systematic access to the knowledge base of practice, including the applied disciplines that underpin their practices. Without knowing *why* as well as *how* workers are not able to exercise judgement at work in their current occupations and access to the applied disciplines that underpin practice is necessary to support occupational progression.

(c) Learning about industry

Individuals have a natural curiosity about what is going on around them. Effective vocational development needs to build on this so people can understand, engage and innovate effectively in the world of work and beyond. Learning about the industry is necessary if students are going to become workers who participate in debates and contribute thoughtfully to shaping its future directions. This matters for issues like ethics and sustainability but also for considering new ways of doing things in the future. It underpins innovation because workers need to see the connections between what they are doing and the broader enterprise and industry. They also need to learn about the industry if they are to navigate their own futures within it – including how they want their own career to develop, the options that are available to them etc. This goes to the heart of creating autonomous workers who can exercise judgement and deploy discretion effort creatively and effectively. How can this capacity to engage at a higher level be best nurtured? How can experiences at a person's workplace and exposure to other workplaces be used to develop this capacity? And how can experts – educators and technical specialists – help deepen this understanding within the workplace and sites of learning beyond it?

Conclusion

For too long concerns with vocational development have been pigeon holed in a narrowly defined VET system preoccupied with meeting immediate job requirements, even though many VET graduates don't end up working in those jobs. Growing numbers of employers, worker/learners and educators sense something is not right. The challenge is to aim higher. Those interested in improving the Australian approach to vocational development must move beyond the entrenched inferiority complex that pervades the VET sector. That complex is the necessary consequence of accommodating (a) to having a second rate status vis-a-vis schools and university and (b) to meeting the so-called immediate needs of industry. Asking the right questions about how to improve learning in, for and about industry is the necessary first step to improving Australia's approach to economic and social renewal.



Creating vocational streams: What will it take?

A consultation paper for the
community services and health
sector

WORKPLACE RESEARCH CENTRE, UNIVERSITY OF SYDNEY

This discussion paper has been prepared as part of the Consortium Research Program: 'Vocations: the link between post-compulsory education and the labour market'. This paper sets out the key issues relating to the research program for Workplace Research Centre at the University of Sydney

The views and opinions expressed in this document are those of the author/project team and do not necessarily reflect the views of the Australian Government or state and territory governments.

Exploring vocational streams

This discussion paper has been prepared as part of the National Centre for Vocational Education Research Consortium Research Program: ‘Vocations: the link between post-compulsory education and the labour market’. The project’s central concern is to gain a more accurate understanding of the connections between and within work and education. The research is taking place over three years, with phases one and two completed in 2011 and 2012.

We are comparing four broad industries to help us understand the links between education and work. These four areas are healthcare and social assistance, engineering and trades, agriculture, and financial services.

This discussion paper focuses on the community services and health sector. In particular, we draw attention to two potential scenarios for using occupational links to expand workforce capacity:

- ✧ Movement towards more cross-disciplinary, team-based practice with the collaboration of industry, educational, occupational and government groups;
- ✧ Further entrenchment of occupational boundaries and adversarial relationships between social partners.

What is the project about?

We are exploring whether a broader notion of what an occupation is may be helpful. The key concept guiding our work is ‘vocational stream’. We define a vocational stream as a set of linked occupations within a broad field of practice. The focus is on the knowledge and skills a person requires to work within a broadly defined vocation that combines educational and occupational progression (Buchanan, Yu, Marginson & Wheelahan 2009). A vocation could emerge, for example, from the commonalities between nursing, aged care and childcare, across different areas of financial advice, or across agribusiness. Vocations defined this way foster identification with the field of practice or broad occupation rather than a specific employer or enterprise. A full description of the key concepts is provided in the appendix.

We are concerned with an individual’s capacity to react to changing circumstances, and the importance of broader occupational capability. We are using the capabilities approach to help our thinking about this. The capabilities approach was developed by the economist and Nobel Laureate Amartya Sen (2009) and the philosopher Martha Nussbaum (2000). It is increasingly used by governments and international agencies to identify the individual, social and economic resources that are needed to support individual wellbeing, social inclusion and individuals’ capacities to make choices about their lives, how they wish to live, and the work they engage in (Henry 2009). In the capabilities approach to vocations, the focus is on the development of the individual, and on access to the resources individuals need to become effective, innovative and autonomous workers within a broad range of occupations.

What did we find in 2011 and 2012?

In 2011, we sought to describe commonalities in how individuals move through the labour market, and whether this movement could be described as vocational. Using the Household, Income and Labour Dynamics in Australia (HILDA) longitudinal data set, the research found strong evidence of labour market segmentation, and in particular, very limited occupational mobility (Yu et al., 2012). We found there were three distinct pathways that accounted for most movement by individuals through the labour market: *high skill*, for example health professionals with specialised training; *low skill*, such as care workers entrenched in low skill work; and *marginal attachment* typically affecting women and older workers with

limited episodes of paid work. The job transitions we observed suggest limited, not expansive, occupational choice for a wide range of labour market entrants, of varied education and training levels.

These different pathways pointed to some clearly different destinations for workers within these three clusters, and cast doubt on the notion that everyone who wants and is qualified for a 'good job' can get one.

In 2012, we were guided by the following research questions:

- ✧ How, if at all, are occupations related by underpinning practices and concepts? Can we thus identify occupations comprising a vocational stream?
- ✧ Who are the social partners which oversee these linked (or otherwise) occupations, and how do they support/inhibit the development of capability within and between these occupations?

The research comprised in-depth interviews with stakeholders across the four sectors, and the findings suggested that vocational streams are readily identified across the four sectors (Yu and Bretherton, forthcoming). We identified two preconditions for the emergence of vocational streams: **commonality in capabilities**, and **social partner readiness**.

'Commonality in capabilities' refers to the identification of links and overlaps between occupations within a broad field of practice, in terms of their knowledge, skills and capabilities. These linkages materialised strongly (both horizontally and vertically) in healthcare and community services. These linkages were identified between nursing assistants, enrolled nurses, registered nurses and nurse practitioners; commonalities also exist for example in the rehabilitation and case assessment/ management methods between the allied health areas of podiatry, occupational therapy, physiotherapy, etc.

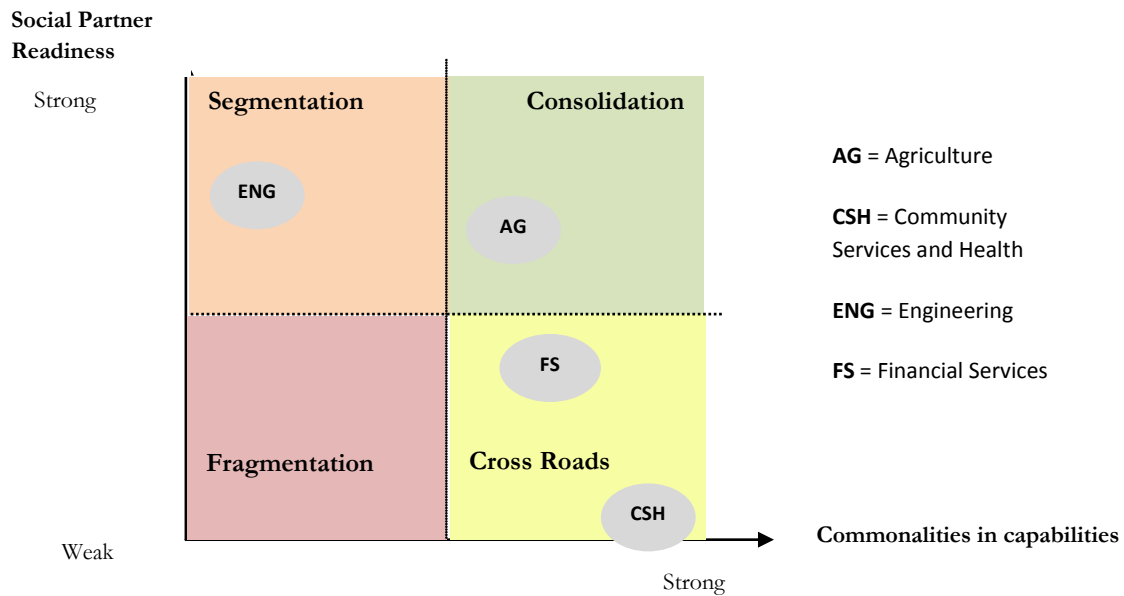
The second precondition concerns the 'readiness of social partners' – the potential for institutional commitment and collaboration around workforce issues. This involves mobilising a community of trust around a common objective – eg dire skills shortages – and involves not only compromise and pursuit of cooperative solutions, but also a commitment of resources. The social partners may include employee, industry, educational, government and community groups, and 'social partner readiness' depends not only on the existence of networks and formal/ informal institutions, but on the level of trust present, and required, for collective action. In healthcare, a complex web of formal and informal institutions exists, with high levels of contestation across the educational, regulatory, industrial and occupational domains.

Figure 1 illustrates how different combinations of these preconditions lead to different outcomes, and places each of the four case study sectors within this framework. Community services and health, with high levels of common capabilities identified in fields of practice such as nursing and allied health, yet with poor collaboration and trust between social partners, is at a 'cross-roads' position. The two preconditions – commonalities in capabilities and social partner readiness – generate four models of vocational outcomes:

- ✧ **Segmentation** is characterised by a lack of commonalities in underpinning knowledge and skill, as in the engineering sector, where specialisation tends to occur early, and there is limited mobility across occupational boundaries. Segmentation is therefore likely to persist despite a cooperative set of social partners.
- ✧ **Cross-roads** is defined by a hitherto absence of institutional cooperation, despite recognised commonalities in capabilities between occupations. Two scenarios exist within this model: first, as in the healthcare/community services sector, institutional arrangements are characterised by groups which defend entrenched institutional boundaries; second, in financial services, there is an absence of explicit stakeholder engagement around skills issues, with workforce development expanding implicitly across the sector.
- ✧ **Consolidation** is characterised by both recognised commonalities in capabilities linking occupations in a scope of practice, as well as a higher level of social partner readiness as witnessed by greater levels of stakeholder engagement and a commitment of resources, as was seen in agriculture.

✧ **Fragmentation** is characterised by both weak linkages between occupational capabilities, and weak (or absent) social partners. While none of our case studies exemplified this category, it is an area open to exploration in future research.

Figure 1. Vocational preconditions and consequences



We argue that the identification and promotion of both commonalities in capabilities and greater institutional cooperation has the capacity to assist with current severe workforce challenges and also to support a workforce of more adaptable, capable, individuals. We identified strong examples of initiatives taken to work towards collaborative solutions, models or ideas which reach across educational, industry and government divides to give individuals access to educational and occupational pathways. In this third and final phase of research, we seek to consolidate the architecture of these models, and explore how their successes could (or could not) be deployed in different settings.

Thus the focus will be on how policy can strengthen relationships between social partners to collaborate in support of occupational mobility and pathways, and how social partners can identify the existence of and encourage the development of greater commonalities in practices and capabilities within a vocational stream. We will consider scenarios which explore the implications for skills development and progression if the industry were to move towards greater fragmentation (the lower left-hand quadrant in Figure 1) or towards greater cooperation and integration (the top right hand quadrant). We are not positing an 'all or nothing' dichotomous future. We will explore appropriate skills formation strategies in light of the trajectory within healthcare and community services, and the potential for moving industries towards the top right hand quadrant. Research being undertaken by colleagues at the University of Melbourne will consider separately the implications for qualifications and educational pathways in each of these scenarios.

In exploring each scenario, we will consider issues such as:

- ✧ The current structure of relationships between the social partners, and how they could evolve to either facilitate or inhibit better links between occupations within a vocational stream. In particular, there needs to be consideration of how responsibilities and benefits are shared in promoting a vocational stream, and the role of trust in enabling such dialogue.
- ✧ The role of educational and training arrangements, and qualifications, in supporting improved linkages between occupations within a vocational stream. The project has found very weak links between educational and occupational progression, except in sectors with strong occupational labour markets.
- ✧ The importance of how the labour market might respond in each scenario, as well as how the current skills ecosystem might define what is feasible. In particular, there may be implications for job design and how capability is formed.

Questions for discussion

We will be talking to stakeholders in community services and healthcare so that we obtain a range of perspectives, including those of educational institutions, occupational associations, unions, skills councils, employer and government bodies. The research questions guiding our discussions with stakeholders include the following:

- ✧ How can the social partners take advantage of the commonalities in skills and knowledge across occupations? How could they mediate issues of role clarity and quality of care? What are examples where this has been done well/poorly?
- ✧ The sector is characterised by very long training times for some (eg doctors) and training requirements for others where the quality of regulation of credentialing standards is reportedly variable (eg aged care workers). How can the education and training system (and those that oversee it) support – or inhibit – greater workforce capacity *and* quality of care?
- ✧ Employment arrangements in community services are often defined by low-cost funding models and contingent work. What possible changes to job and training structures could support – or prevent – better mobility of workers within their field of practice?
- ✧ Why have some projects rallying around team based practice and greater workforce capacity been successful? For example, some of the clinical service networks of the NSW Agency of Clinical Innovation (formerly known as the Greater Metropolitan Clinicians Taskforce) and trials of nursing assistants in Victoria
- ✧ What are the particular strengths and weaknesses of the current relationships between the social partners?
- ✧ Given contestation across regulatory, industrial and educational issues, what are possible, incremental ways to move towards greater collaboration in support of team based practice? What would be the role of the different stakeholders? How likely is it that the workforce will instead remain highly siloed, and gains in workforce capacity will have to be focused on issues such as funding, clinical placement availability and incentive structures?
- ✧ In thinking about potential scenarios of more team based models of health and community services work, it is helpful to distinguish between these potential trajectories:
 - One which respects current domains of expertise of particular occupational groups,
 - One which uses teams to facilitate cost savings by shifting skills down the occupational hierarchy, and

- One which is based on different models of care and involves occupational groups defining both what they do and how they interact in keeping populations healthy and assist in their recovery when ill and/or injured.

Key Concepts

This section outlines the key concepts we used to structure the project and have been developed in a series of linked papers and projects (Wheelahan et al, forthcoming; Yu et al, 2012; Wheelahan & Moodie, 2011). It is important that the concepts we are using are clear given that the project is seeking to explore the potential for new ways of supporting skills development. The project is part of a process that is developing a new conceptual language for describing the links between education and work in Australia and it is essential that these concepts are clearly delineated.

The capabilities approach to work

The capabilities approach focuses on what people are able to 'be and do' and the necessary resources and social arrangements that are needed to achieve this (Nussbaum 2000, 2011; Sen 1999). In thinking about work, the capabilities approach asks about the broad ranging knowledge, skills and attributes that individuals need to be skilful at work, to progress in their careers and studies, and to participate in their communities and in civil society.

Capabilities shape the way individuals live their lives, exercise choice, and exercise autonomy, judgement and creativity at work. They are underpinned by individual, economic, social, cultural and environmental resources; that is, they are concerned with the skills and attributes people need to flourish in particular fields of activity. Capabilities are differentiated from employability skills or graduate attributes because they are not 'general' or 'generic'. For example, while there are some common foundation capabilities required of all workers, someone who undertakes care work will require different capabilities from those working in agriculture, finance or engineering. As an illustration, problem solving with a two year old in a crèche is quite different to problem solving in a science laboratory, as is communication. In a capabilities approach, the focus is on the development of the individual and on work, and consequently students need access to the knowledge, skills and capabilities so they can be creative problem solvers and exercise autonomy in their domain of activity – what we call vocational streams.

Vocations and vocational streams

A vocation emerges from fields of practice where there are commonalities; for example, the commonalities between aged care and disability care. A vocation groups together related clusters of knowledge and skills that allow individuals to progress by specialising within a field of practice, by moving laterally into linked occupations, or by moving onto higher studies.

A vocational stream consists of linked occupations within broad fields of practice, and in turn, each occupation leads to a number of jobs. That is, within a stream (eg. livestock farming) there are more specialised occupations that allow for ease of labour mobility for people with recognised skills, and equally exclusion of those without it (eg. animal technician, dairy farmer). Even within tightly defined occupations, the final configuration of activity varies between jobs. A technician looking after animal health on a dairy farm would engage in quite different work to one on a poultry farm.

There are significant benefits for the economy at large as well as for individuals having capabilities that allow them to move vertically and horizontally between and within vocational streams, rather than knowledge and skills for a specific job. In short, for this project we define vocational streams as linked occupations within broad fields of practice where the focus is on the development of the person, the

attributes they need and the knowledge and skills they require to work within a broadly defined domain (i.e. work space) that combines educational and occupational progression (Wheelahan et al. 2012; Yu et al. 2012).

The capabilities approach to vocational education and training

The capabilities approach starts with the person and not specific skills, tasks or roles and asks about the capabilities that people need to achieve a range of outcomes. Education and training based on capabilities would focus on developing individuals in three domains:

- The knowledge base of practice. This includes theoretical knowledge needed for the field of practice, but also for higher level study within the occupation;
- The technical base of practice. This includes industry skills that transcend particular workplaces; and,
- The attributes the person needs for that occupation or profession. This includes attributes such as ethical practice, but also effective communication skills, the capacity to work autonomously and in teams, creativity, information management and so forth. While these are sometimes described as generic, they are understood differently in different fields of practice and need to be developed within the context of specific disciplines and vocations.

Within this approach, qualifications would prepare students for a broad range of occupations within loosely defined vocational streams, support students to engage in occupational progression through a career, link occupational and educational progression, and adapt to meet new and emerging needs.

The capabilities approach, labour supply, labour demand and labour market dynamics

The relationship between capabilities, vocations and vocational streams are presented in Figure 2. The vertical and horizontal components of Figure 2 can be taken as representing new ways of thinking about labour supply and labour demand.

The supply of potentially available labour, especially its quality, is determined by:

- Access to resources. Individuals need broad capabilities in order to engage in vocational practices. These capabilities are underpinned by individual, economic, social, cultural and environmental resources. For example, individuals need access to health care, good food, basic education, transport, and networks of social support if they are to undertake education, go to work, become involved in their communities and so forth (Sen, 1999).
- Capabilities which include the fundamental abilities of all citizens that concern the capacity to flourish – or at least fit in – socially at work and in their broader communities, but also complex capabilities that allow individuals to integrate and synthesise knowledge, skills and attributes to exercise judgement and autonomy in their lives and at work (Winch 2010). The capacity to be skilled at work emerges from wide-ranging capabilities, and so capabilities will always be wider than those required just to undertake specific workplace tasks and roles.
- Careers. Over the course of their lives individuals, through their work, acquire specialised knowledge, technical capacities, intuitions, inclinations and reasoning associated with a distinct realm of practice such as nursing, engineering, agricultural work and financial services. The accumulation of this expertise constitutes careers. For some, a career can involve deepening expertise in a clearly defined occupational pathway (eg nursing). For others careers can involve moving across a number of vocational streams. For many it involves churning through low end work which, while varied, is rarely challenging in a skills sense. Careers of the latter type rarely

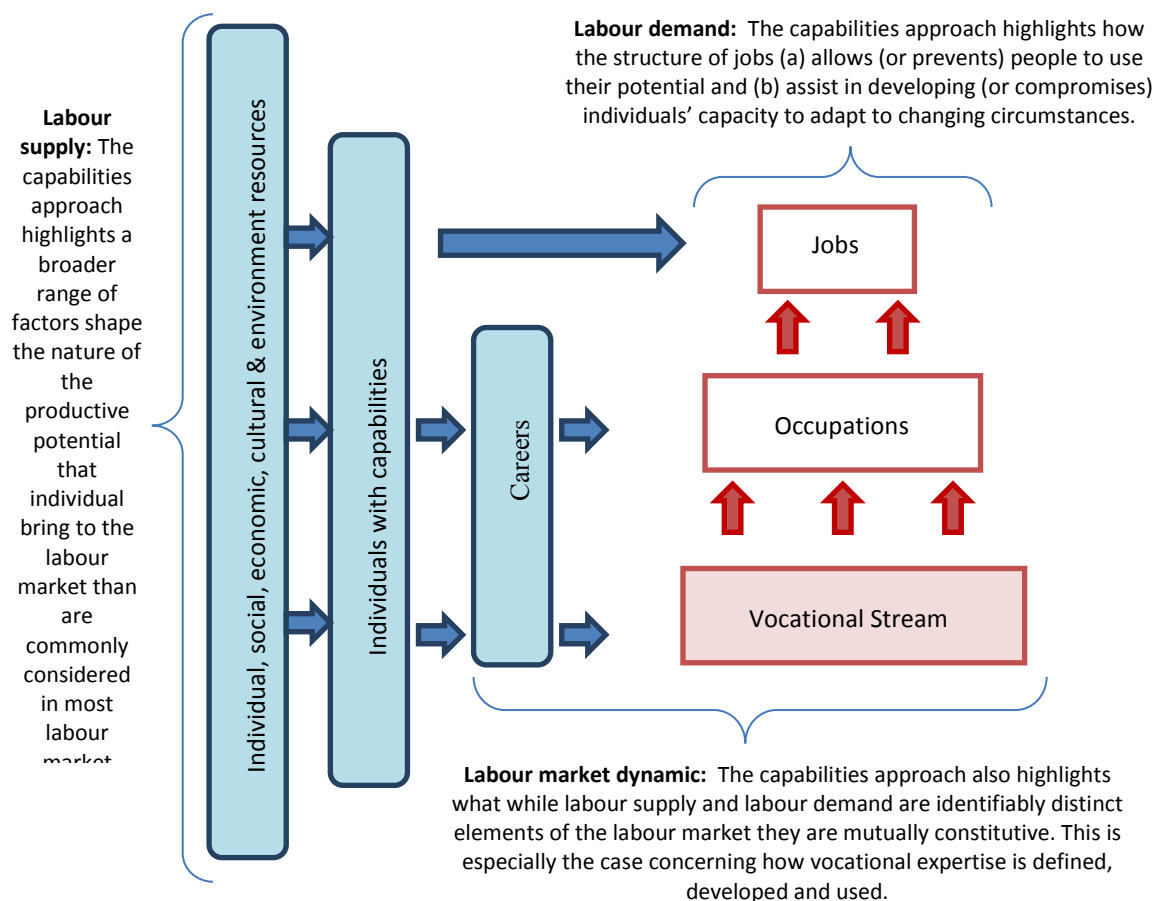
involve the deepening of expertise in any domain and thereby limit the capacity of individuals to take on my difficult challenges and opportunities as circumstances in the labour market change.

The demand for labour is characterised by the sector's skills ecosystem, a cluster of skills in a particular region or industry which is shaped by the interdependencies of firms, markets and institutions (Buchanan et al, 2001). In particular, the demand for labour is shaped by the competitive nature of the product market, and institutional frameworks, but also the nature of skill formation (eg the use of apprenticeships), the structure of jobs (eg seasonal work), and the modes for engaging labour (eg casual or shift work).

This framework helps us to consider the relationship between education and work. While tertiary education should primarily prepare people for employment, in developing the capabilities for work, education will need to go beyond work. Rather than preparing people for specific jobs (and discrete workplace requirements) the emphasis will be on preparing people for vocational streams. This will help promote vertical and horizontal occupational progression and more opportunities for individuals. However, this can only occur when and if vocational streams are identified and vocational preparation ensures that students have the depth and breadth of knowledge and skills they need, and the personal attributes required for that vocational stream. We have found that the coherence of vocational streams is a directly function of how well social partners (employers, unions, industry leaders, government and educational institutions) work together.

Figure 2: The capabilities approach, labour supply, labour demand and labour market dynamics

How a capabilities approach enriches notions of labour supply and labour demand and how they interact



Communities of trust

The capabilities approach is a more open-ended way of thinking about work, qualifications and vocational preparation and it depends on building communities of trust which comprise those who have a 'stake' in the sector's workforce development. The key focus of the capabilities approach as we are using it is to focus on building communities of trust that can overcome low levels of trust where they exist (for example, over issues of resource allocation, the value of qualifications, and other competing interests) and disconnection between vocational education and work. Communities of trust would work to establish broad workforce development strategies that include identifying emerging occupations within vocational streams, and developing the education and training programs that are needed to support those occupations.

Confidence in qualifications for example is greater when defined communities of trust have played a role in developing standards and accrediting qualifications and where qualifications are supported by systems of certification and quality assurance. Communities of trust include professional and occupational bodies, employer bodies and unions, skills councils, recognised industry leaders, employers and educational institutions, as well as appropriate government bodies. Another term which may be helpful is to refer to 'social partners' which comprises all these key stakeholders. Social partners may have higher or lower levels of trust, but they are the starting point for building communities of trust. Communities of trust do not have to (and will not) agree on all things at all times, but their debates are usually resolved and the outcomes are usually better because this is how knowledge and skills are developed and identified for different occupations.

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Defining apprenticeships: categories, analysis and policy implications.

[Briefing prepared by John Buchanan for the Expert Panel on Apprenticeships in the 21st Century, February 2010]

A definition of apprenticeship

When thinking about the future of the apprenticeship system it is important to consider the very basic questions:

- what do we mean by the term 'apprenticeship'?
- apprenticeships for what end?
- apprenticeships in what?

At its simplest, the notion of apprenticeship refers to an approach to skill formation that combines both on and off the job training. Unlike most other approaches to education it is built on an employment relationship. Historically it has also been built around a notion of training in transferable skills associated with particular occupational labour markets – especially for what could be termed intermediate (usually trade based) occupations.

In more recent times the notion has been extended down the occupational hierarchy. It has also extended to include employment based learning arrangements that have no element of complementary 'off the job' training. This is the essence of 'traineeships'. Many of the most extreme problems in quality have arisen as a result of this shift.

It is important to remember that 'traditional apprenticeships' themselves have also often had questions raised about their quality. This is a recurring theme of apprenticeship inquiries through the ages. And the idea that the 'apprenticeship' mantle can be applied to lower level occupations also has a long history. Employers of chimney sweeps in 19th century London, for example, liked to have their younger charges 'indentured' for 7 years to 'learn the trade'. The motivation was not skill formation but to gain access to cheap, bonded labour.

Given these issues the key issues become being very clear concerning what we mean by apprenticeship. I would propose apprenticeships only exist where:

- skills are primarily learnt in the context of an employment relationship
- that it must involve training that is both practical, learnt on job and is supported by learning underpinning knowledge, usually acquired off the job
- that it must involve acquisition of highly transferable skills.

Analytical implications - four basic employment systems

The nature of the employment relationship¹ means that skills are developed and used in the context of a limited number of employment systems. Following Marsden², these are commonly specified in terms of

- (a) *how the demands of the job are defined ie primarily by the needs of production or primarily by reference to the skills the worker brings to the job.* This is commonly referred to as the difference between ‘internal’ and ‘occupational’ labour market arrangements. (Hereafter ILMs and OLMs)
- (b) *how the approach to specifying accountabilities for work performed are defined ie on the basis of what worker does (eg very specific duty statements) or on the basis of what the worker is expected to achieve (eg once promoted to certain level they are expected to perform all tasks at that level).* These can be referred to as ‘task centred’ or ‘function centred’ approaches to systems of work coordination.

The dynamics of the employment relationship, therefore, commonly result in four employment rules. These are summarised in Table 1.

Table 1: The two key dimensions of managing employment relationships and common employment rules.

The focus of enforcement criteria is ...	Job demands identified by...	
	requirements of production (ie ‘production approach’)	recognised skills of workers (ie training approach)
task centred	‘Work post’ rule	‘job territory’/’tools of trade’ rule
function/procedure-centred	‘competence rank’ rule	‘qualification’ rule

Source: Marsden 1999: 33

Considerable research has been undertaken over the decades exploring the evolution and operation of employment systems – especially for workers with intermediate skills in manufacturing. More recent work has deepened insights into the issues concerning intermediate skills in some services

¹ The defining feature of the employment relationship is its open ended nature. Unlike most other commodities labour as factor of production is not bought outright. What is bought is the ability to perform work. Once hired the worker then has to perform. This referred to various as ‘the open ended nature of the employment contract’ (Fox 1974), the ‘incompleteness of the employment contract (eg Coase 1937 and Simon 1951 and 1991) or the labour process problem (Braverman 1974). This is to say, it is the common analytical foundation of industrial sociology, ‘the new institutionalism’ in mainstream neoclassical economics and labour process theory. This point is made very clearly and powerfully in Marsden 1999.

² The power of Marsden reasoning is that is deductive (ie derived from first principles) and not inductive (ie derived from reference on empirical material alone.) Similar findings to Marsden on the basis of deductive reasoning have been derived by earlier empirical studies, especially those of the famous LEST studies of the 1970s and 1980s (eg Maurice et al 1986) and the NIER of the 1980s and 1990s (eg Prais 1994)

sectors. Using this schema Marsden identifies how the employment systems of five major industrialised countries can be characterised.

Table 2: Dominant employment rules for workers with intermediate skills in industry by country

	Production approach	Training approach
Task Centred Rules	France, US	Britain
Function Centred Rules	Japan	Germany

Source: Marsden 1999: 118

This framework can also be used to characterise different types of ILMs and OLMs – structures that have major implications for how workforce development occurs.

Table 3: Effects of employment contracts constraints on labour market structure for workers with intermediate skills

	Efficiency constraint	
	Production approach	Training approach
Enforceability constraint		
Task centred	‘Work post’, Taylorist ILMs	Craft/‘job territory’ OLMs
Function/procedure-centred	‘Functionally flexible’ ILMs	Functionally flexible OLMs

Source: Marsden 1999: 221

Implications for policy: occupational labour markets as public goods.

On a purely definitional basis it could be argued that apprenticeships only operate where there are occupational labour markets. Transferring the term to traineeship level jobs often with no education in underpinning knowledge operating in employer defined internal labour markets is historically very recent and violates most of the defining features of what is commonly thought of as an apprenticeship.

Endeavouring to solve complex policy problems definitionally is, however, of limited political relevance. Who cares if current practice does not conform to customary definition, if its working why not let modern trends continue? The arguments for limiting the term apprenticeship to occupational labour markets and, more importantly, limiting public funding and support for their operation need to be based on stronger arguments. These arguments can be built on the fact that occupational labour markets and transferable skills are public goods.

Public goods are those which provide benefits to many players (and often society at large) but for which there is under-provision because it is hard for any one player to recoup their investment. The classic examples of such goods are large scale fireworks displays and light houses.

Occupational labour markets have the following 'public good' features³:

- they provide employers with a pool of skills to draw on, especially smaller employers experiencing an expansion in demand for their products or services
- they provide workers with a career to aspire to. Based on transferable skills, occupational labour markets give workers more ability to change employers – for whatever reason
- society benefits from the ease of redeploying workers with transferable skills. When an organisation experiences a downturn it can know its employees have something to take with them onto the open labour market once they leave. Where an organisation is entering a new market it does not have the added burden of having to establish intermediate or higher order skills to get the service or product produced where workers with such skills are required. (Marsden 1987: 235)

While these benefits are very real there is likely to be under provision of occupational labour markets because they are costly to establish and difficult to maintain. To flourish they need an adequate supply of workers and an adequate number of job slots. Given that opportunistic employers can 'free ride' on them the incentive for employers to participate in them are limited. (Marsden 1987: 236 – 238)

Amongst the most serious challenges in maintaining occupational labour market are:

- (a) pressure to dilute training standards
- (b) the loss of flexibility due to standardised skill norms
- (c) loss of confidence associated with fear of skill shortages
- (d) bargaining power of workers with transferable skills. (Marsden 1987: 241 – 242)

Conclusion

'Apprenticeship' is a term which has been used very loosely in recent times. It is important that a tighter definition informs policy and practice. Basing this on the notion of employment based training with strong underpinning knowledge is important. Equally important is distinguishing between different employment system settings in which skills are developed and deployed. The public good dimension of occupational labour markets means they require strong public support – from government and the social partners – if they are to flourish. Without this support they are unlikely to survive.

Finally, it is important to recognise that apprenticeship is only one way of give people skills needed to perform in intermediate level occupations. Ascertaining what the balance is between apprenticeships, purely on the job and purely off the job training is an important, but separate

³ All these arguments are taken from Marsden 1987: 234 - 242

question. This paper has been provided to help clarify the definition and key issues concerning the definition of apprenticeship.

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