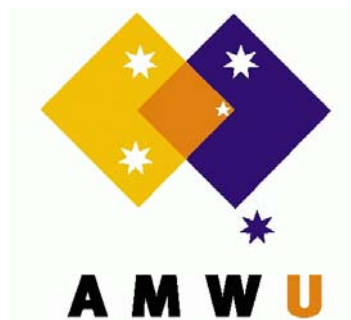


AUSTRALIAN MANUFACTURING WORKERS' UNION



SUBMISSION

**Productivity Commission Study into the Impact of Migration
and Population growth on Productivity Growth
in the Australian Economy**

September 2005

Introduction

1. The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make submissions to the Productivity Commission Study into the Impact of Migration and Population Growth on Productivity Growth in the Australian Economy.
2. The full name of the AMWU is the Automotive, Food, Metals, Engineering, Printing and Kindred Industries Union.
3. The AMWU represents approximately 140,000 workers in a broad range of industry sectors and occupations within Australia's manufacturing industry.
4. As Australia's largest representative of skilled and qualified manufacturing workers, the AMWU has a strong interest in how Australia services the growing demand for, and strategic importance of, skilled manufacturing workers.
5. The AMWU has a long and proud history of participation in the reform of Australia's training and skills development systems.
6. This submission concentrates on the impact of skilled migration on our skill formation system and on our long term economic potential. As a consequence this submission is focused on responding to the second and fifth terms of reference which require the Commission to:
 2. *examine the impacts on skill levels in the Australian population generally, as well as within different industries and occupations, of skilled and unskilled migration;*
 5. *report on any legislative or other impediments which prevent Australia realising the potential productivity gains from migration and from effective use of Australia's population and workforce diversity.*
7. The growing demand for skilled migration is a narrow, short term response to the failure of Australian industry to invest in the skills it needs to meet the challenges of operating in a global context.
8. As the level of international skills shortages intensifies, Australia's capacity to attract skilled migrants will decline due to our unwillingness to adequately recognise the value of skills.
9. Rather than attempting to rely on skilled migration, Australian industry must recommit itself to the national training system and discontinue the encouragement it gives to enterprises to pursue a narrow enterprise focus geared to short term skills that impedes the growth of the skills base of the country.

10. The tools and systems for effective skills recognition in Australia exist but are seriously hampered by ineffective funding regimes which are short term in their focus and lack strategic direction.
11. The lack of a co-ordinated policy framework that integrates industry development, economic development and education and training policy is undermining Australia's ability to maintain sustainable economic growth.
12. The AMWU is a strong supporter of our multicultural society. Migration has made a very positive contribution to our society; in varied areas as economic, social, cultural, sporting etc... Humanitarian and family migration has made just as positive contribution to society as skilled migration. There is no evidence of these intakes causing a negative economic impact upon society. It is the AMWU's view that the skilled component of the migration intake must be reduced and the family and humanitarian components increased. Furthermore, the intake of temporary skilled migration should be reduced dramatically.

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Recommendations

13. The AMWU urges the Productivity Commission to make the following recommendations:
 1. That the Australian Government reject the assertions of those who promote skilled migration as a solution to Australia's skills challenges and determine that any further liberalisation of Australia's regulations for entry of skilled and temporary migrants is not in Australia's interests.
 2. That the temporary skilled migration intake be drastically reduced.
 3. That the current level of overall permanent migration be maintained, with an increase in the family and humanitarian intakes at the expense of the permanent skilled migration intake.
 4. That short term skilled migration be subject to the following conditions:
 - A genuine shortage of skills exists on a short term basis;
 - Skilled migration is not accepted as a solution to the skills shortage;
 - The employer must demonstrate that all avenues of up-skilling existing workers and recruiting locally have been genuinely exhausted;
 - The employer must demonstrate that any workers engaged under skilled migration programs are afforded all of the terms and conditions of employment that are prescribed by the award and enterprise agreement that applies to permanent workers at the workplace;
 - The employer must demonstrate that they are making an acceptable contribution to the skills base of Australia and have an acceptable plan for increased investment in training of their existing workforce and new resident entrants;
 - The employer must reach agreement with the relevant union/s about the number of and duration of the employment of skilled migrants;
 - That appropriate monitoring systems are in place to monitor arrangements in respect of travel, accommodation and recruitment practices.

5. That Australian governments at both a State and Federal level reduce Australia's growing dependence on skilled migration by taking action to improve Australia's skills formation performance, including a commitment to a co-ordinated strategy to ensure the future of Australian industry is not compromised by a continuing decline in training investment by employers. The strategy should include:
 - A thorough review of the processes adopted to identify occupations and skill sets deemed to be in shortage.
 - Validation by Industry Skills Councils of the content of the Skilled Occupations List (SOL), the Migration Occupations in Demand List (MODL) and the Employer Nomination Scheme Occupation List (ENSOL).
 - The introduction of training levies to alleviate persistent skill shortages and build skill formation and training capability.
6. That the Australian Government take such steps as are necessary to ensure that government incentives and other support measures are prioritised in support of training and apprenticeships in skill areas of strategic importance or in short supply and particularly in the traditional trade disciplines.
7. That the Australian government take such steps as are necessary to significantly improve and expand the spread of recognition of prior learning towards national qualifications for existing workers. The Government should provide funding for this process because it serves the broader industry and social good of lifting the level of nationally recognised qualifications. However, the funding should only be provided where the employer is prepared to also invest in further training consistent with an agreed plan towards completion of national qualifications. Expenditure by employers on structured training has been declining and this measure may help to reverse the trend. The major obstacles that government must also address include:
 - The costs to industry of identifying the competencies which workers already hold and what are the competencies which are needed for future development which is prohibitively time consuming and expensive.
 - The funding arrangements for registered training organisations which positively discriminate against their involvement in effective recognition of prior learning. The time and expense involved in identifying training needs of firms is not currently taken into account in assessing funding.

8. That the resources of TRA be substantially increased to facilitate a stronger industry involvement in the assessment process and to provide enhanced accessibility including the re-establishment of state offices of TRA across the country.
9. That TRA's mandate be expanded to operate in conjunction with state training authorities to improve integration of trade recognition process having particular regard to the recognition of the skills of existing workers through recognition of prior learning.
10. The federal government legislate for the introduction of training levies to alleviate persistent skill shortages and build skill formation and training capability.

Context

14. The AMWU argues that Australia clearly faces some very significant problems including:
- A dramatic decline in our balance of trade in elaborately transformed manufactured products. Those economies which have a strong base in the production of elaborately transformed manufactured products are those countries with more stable economies and better living standards. Although exports of elaborately transformed manufacturers have increased, this increase has been overshadowed by the dramatic increase in imports.
 - The emerging threats posed by a plethora of free trade agreements, most notably the proposed agreement with China which will place even more pressure on Australia's ability to compete in a global context:
 - It is worthwhile to consider that in 2003 prices for every plasma television Australia imported, Australia had to export in the vicinity of 150 tonnes of iron ore. If Australia is to maintain and improve its standard of living, a trade and industry policy built on the 19th and early 20th century view of Australia as an agricultural and mineral supplier for the rest of the world is clearly neither economically nor environmentally viable.
 - At a time when developing nations are building knowledge intensive industries from the ground up, Australia must do better than relying on trade and industry policies aimed at encouraging the exportation of low value added products. In terms of exporting high and medium-high technology goods the only OECD economies Australia performs better than are Turkey, Greece, New Zealand and Iceland. This is not a formula for a high wage – high growth economy of the future.
 - Significant and ongoing skill shortages, particularly in areas of traditional trades and in specific regional areas.
 - Growing levels of income inequality, particularly on a regional basis.
 - Persistent levels of high unemployment, particularly in regional areas and amongst younger persons. According to the ABS's Social Trends Australia 2005, the extended labour force underutilisation rate in 2004 was still about 12.2% of the workforce. With 12.2% of the workforce underemployed there is no labour shortage. Nor is there a potential one in the foreseeable future. There would be no skill shortage if there was proper planning and investment in our training system.

- A dramatic growth in forms of non standard, precarious employment, particularly casual and contract work. Between 1982 and 2002 casual employment more than doubled to 27.3% of the workforce. The increase in casual employment accounted for ¾ of all jobs growth and 90% of these jobs were low paid earning - less than \$500.00 pw.
- Decreasing job security with increased levels of involuntary job mobility.
- Declining levels of employer investment in vocational education and training, particularly vocational education and training that leads to portable national qualifications.
- Decline in enrolments and course offerings in the post-trade and para-professional levels in key skill areas such as engineering.

Skilled Migration

15. Skilled migration as a distinct migration category has grown rapidly in the last decade. Over the period 1995-96 to 2003-04, skilled migrants to Australia, as a proportion of the total number arriving under the 'Migration Program' (excluding humanitarian commitments), increased from 29 per cent to over 62 per cent. The planned proportion for 2005-06 is 70 per cent or about 98 000 people¹.
16. The table below demonstrates that the increase in skilled migration has been at the expense of family immigration. The AMWU argues that the short term fix of skilled migration not only reduces the long term productivity of the Australian economy but also unfairly penalises citizens attempting to reunite with their overseas families.

Australian Migration, selected categories							
Category of migration	Units	1985-86	1990-91	1995-96	2000-01	2003-04	2005-06 (planned)
Migration program							
Family	%	79.2	54.6	68.3	41.5	36.9	30.0
Skill	%	20.2	44.4	29.0	55.2	62.3	69.6
Family	no.	63,439	61,261	56,689	33,453	42,199	42,000
Skill	no.	16,180	49,817	24,070	44,497	71,246	97,440
Temporary entry							
Business	%	-	-	58.7	53.6	52.8	-
Total	no.	88,800	139,000	310,855	562,362	641,904	-

¹ Productivity Commission, "Economic Impacts of Migration and Population growth", Issues paper, August 2005, p.7

17. We have also seen a massive increase in temporary skilled migration under the heading temporary business entrants. This category has increased by 86.3% between 1995-96 and 2003-04 (182 000 entrants to 339 000 entrants).
18. Rather than increasing the long term economic potential of the economy there is evidence that skilled migration is in fact compromising our ability as a nation to become more self sufficient. A case in point that illustrates the concern is the recent importation of Chinese boilermakers and welders by a Ballarat truck manufacturer:

“Labor demanded answers from the government today about why Maxitrans Transport imported Chinese boilermakers and welders instead of training Australian workers, blaming the situation on the skills shortage.

*Prime Minister John Howard said the furore over the case was misplaced because the Chinese workers were not acting as substitutes for the apprentices, but as experienced, qualified workers, and the company had agreed to employ them last year, before the 2005 intake of apprentices. **He said he had sympathy for the young men whose apprenticeships were put on hold. ...**”² (emphasis added)*

19. The AMWU submits that the growing belief that Australia can in some way ‘solve’ skills shortages through skilled migration is flawed when seen in the context of growing evidence of international skills shortages.
20. Paul Baker, Director of Federal and NSW Government and Social Infrastructure for Hudson Global Resources has argued that immigration will not solve the skills shortage:

“The downward spiral of a declining workforce over the next 5 to 7 years will not be solved by immigration...Canada boasts that they have the skilled immigration workforce sewn up; we have given them five years start...Australia is no longer the preferred destination for skilled overseas workers and conditions in their own countries are significantly better than they were.”³

Temporary versus Permanent Skilled Migration

21. While permanent skilled migration has a role, albeit a small one, in a modern economy, the AMWU submits that temporary skilled migration is counterproductive. Temporary skilled migration is a substitute for capability building through skills training and in the long term reduces productivity by compromising the long term ability of Australia to broaden its skills base.
22. Furthermore the long term skill needs of industry are not served by tying skilled migration to individual firm needs. This represents classic short

² Media release by Ms Jenny Macklin MP 12 November 2004

³ Workplace Info, “Poachers of skilled workers should be penalised, seminar told”, 22/8/05, p.2

termism and will reduce the long term productivity of the Australian economy.

23. Temporary skilled migration undermines current and future skill formation and is likely to have an impact on the future competitiveness of Australian businesses. As Pickersgill has argued:

*"The major problem for skill formation is that the demands for flexibility from employers are expressed in ways that do not support coherent skill formation practices'."*⁴

24. It is an issue that the Business Council of Australia also seems concerned about. Recently they argued that a form of short termism⁵ has been infecting Australian businesses. Short-termism occurs where there is:

*" an excessive preoccupation with projects, activities and investment designed to deliver improved near-term returns and outcomes at the expense of those that could deliver higher returns and outcomes over the long run."*⁶

25. The implication of this short tenure is that "...local CEOs have just two to three years to deliver concrete results before their jobs are at risk. A corporate strategy that delivers negative returns during this period, even if it will deliver strong longer-term results for the company, can be fatal to the CEOs' tenure"⁷. It leads to a situation where managers favour 'investment in highly observable projects, where progress is easy to demonstrate' and to lower investment in "less tangible projects, such as in human capital or certain types of R&D"⁸. Nowhere is this short-termism better demonstrated than business's obsession with temporary skilled migration.

26. In addition to its short term nature, the AMWU also submits that there exists significant levels of fraud in employer sponsored temporary migration. There is an incentive for individuals seeking to migrate to Australia to

4 Pickersgill R. (2001) Skill Formation in Australia and Beyond, International Journal of Employment Studies, Vol. 9, p.134

5 The causes of this managerial short-termism are documented in a recent Business Council of Australia report. This short termism takes the form of a number of pressures:

- global of integration of capital markets and acceleration in the net flows into and out of countries in search of investment;
- an increase in the volume of funds under management as a result, for example, of compulsory superannuation. Competition amongst superannuation funds and the pressure of quarterly reporting 'is seen as a problem because it encourages group herd- that is, decision-making on the basis of short-term movements in the market and among competitors' (BCA 2004: 42)
- the short tenure of funds managers, just under three years in Australia (BCA 2004: 42) and of CEOs of major corporations at 4.4 years which is half the global average (BCA 2004: 44).

6 Ibid., p.37

7 Ibid., p.44

8 Ibid., p.41

fraudulently claim skills, especially if they are working with unethical migration agents.

27. There is also a fundamental equity issue at stake. Foreign nationals residing in Australia on temporary student or tourist visas holders who complete skills training in skills shortage areas can apply for permanency while here. In contrast, refugees must apply offshore. This is a policy that is fundamentally discriminatory.
28. This discriminatory policy is worsened by anecdotal evidence suggesting that some student/tourist visa holders who remain in the country on this basis intentionally choose not to secure employment in the area of skills shortage they were trained in. The skilled migration entry is just a loophole for some to obtain permanent residency.
29. Should Australia continue to increase its skilled migrant intake, the federal Government must ensure that adequate resources are devoted to recognise skills sets. However, the system to accredit migrants' skills must not differ from the recognition process adopted for Australian citizens. That is, we should not set minimal standards for skills recognition for migrants when much higher industry standards are required for Australians.
30. The government's approach is one that clearly establishes Australia in the global competition for skilled labour at a time when our reputation in the areas of humanitarian migration and our treatment of asylum seekers is under increasing attack for its mean-spiritedness.
31. If Australia is to encourage the migration to Australia of migrants with skills that are in demand, we must significantly improve our reputation in the area of treatment of those who migrate to Australia.
32. The AMWU has bitter recent experience of the appalling treatment of skilled migrants. It is our submission that the risks of exploitation outweigh the perceived benefits:

"Push for Racism at Work

Australian Defence Industries (ADI) wants to duck Australian laws so it can deny jobs to thousands of citizens on the basis of their nationality or race.

ADI has applied for an exemption from Western Australia's Equal Opportunities Act so it can sack or transfer employees to comply with requirements attached to specific US defence contracts.

Unions WA has been formally joined to the company's application and AMWU secretary, Jock Ferguson, is promising to fight ADI every step of the way.

"This application is a direct attack on Australian values and the Australian way of life at the instigation of a foreign power," Ferguson says. "It's industrial apartheid,

it's outrageous and it is unacceptable because it reinforces negative racial stereotypes.

"When migrants come to this country we expect them to abide by Australian laws. It is not unreasonable to expect their employers to do the same thing.

People born in at least 20 countries, including China and Vietnam, are barred from working on specified US defence contracts but the ADI application would allow it to deny work to anyone not born in Australia or the US."⁹ and,

Freespirit Renounces "Slavery"

Months of AMWU pressure have convinced the WA "slave labour" roort company to cut ties with programs organised by the state's powerful Chamber of Commerce and Industry.

"The company only entered into this area on the invitation of the CCIWA. Freespirit will not get involved with any of these programs again," managing director, Paul Rigby, pledged last week.

The decision followed AMWU claims that 29 skilled tradesmen had been imported from South Africa and paid effective rates as low as \$8.60 an hour.

The pipe fitters, welders and boilermakers walked off sites around WA two months ago to protest their treatment.

One boilermaker likened his situation to "slavery""¹⁰ and,

33. The Construction, Forestry, Mining and Energy Union also reports serious concerns about the motivation of some employer participation in skilled migration schemes:

"Vanstone Shows Brickie's Cleavage"

Thousands of foreign bricklayers and carpenters will hit the Australian building industry as the boom tapers off, under changes to the skilled immigration program.

And foreign childcare workers, included in the Migration Occupations in Demand for the first time, will be shipped into Australia without having any formal assessment of their qualifications.

CFMEU national secretary John Sutton says the extension of the skilled migration program comes at precisely the time in the building cycle and will leave Aussie tradesmen on the scrap heap.

Under the changes announced by immigration Minister Amanda Vanstone this week, the Migration Occupations in Demand list will now include: bricklayers, carpenters, joiners, fibrous and solid plasterers, as well as cabinet makers, plumbers and electricians

⁹ Media statement – Jock Ferguson, AMWU State Secretary WA. www.amwu.asn.au

¹⁰ Media statement – Jock Ferguson, AMWU State Secretary WA. www.amwu.asn.au

Sutton says the net result of the intake would be a new pool of cheap labour in the industry, just at the time when activity is slowing.

"You do not need to be an Einstein to work out that if there is a downturn in the industry, it will be the cheap imports that will keep their jobs," Sutton says.

"In our experience, employer sponsorship of migrant workers has resulted in scandalous exploitation of those workers as cheap labour.

"Migrant workers who are unaware of Australia's health and safety regulations have been exposed to serious injury and in one case death."

Sutton says the Federal Government would be better off employing 20,000 young Australians as trades apprentices, rather relying on migrant intakes and sending 10 department officers to boost employer expertise in engaging migrants."¹¹

34. Workers who come on temporary skilled visas are effectively indentured labour. They are in a very weak bargaining position with the employer; if they do not accept the wages and conditions offered then they are effectively deported. They are constantly concerned that if they do not please the employer they will be deported. Many are in debt to pay for transport, visas, accommodation and remittances home and this greatly increases the level of vulnerability.
35. These arrangements do nothing for the overall skills pool for the industry. These arrangements are artificial arrangements designed primarily to suppress wages, conditions and collective bargaining. In many cases it is clear that the issue of the employer is not the local labour can not be found but that the employer is not prepared to pay the market rates.
36. The current safeguards are totally inadequate as the market rates far exceed the award rates and hence relying on a requirement that minimum legal wages and conditions are met does not provide safeguard.
37. In summary, the few examples cited above are, in the view of the AMWU, indicative of the factors that too often motivate employers to engage in skilled migration, those being:
 - Avoidance of their obligation to contribute, through training, to the national skills pool; and
 - Avoidance of their obligation to respect Australian law as it relates to the terms and conditions of those they employ.

¹¹ Media Statement – John Sutton National Secretary, CFMEU http://workers.labor.net.au/259/print_index.html

38. Skilled migration can never be the solution to the significant failings in our training system. Skilled migration may give a short term boost in productivity (this is far from certain) but in the long term migration, especially temporary skilled migration, will reduce the long term productivity potential of the Australian economy.

Skills Shortages

39. The AMWU believes that the skills shortage issues facing Australia have their roots in the attitudes of Australia's employers and are evident in the following comments¹² of Mr. Peter Hendy, CEO ACCI:

*".... ACCI's 2004 Pre-Election Survey found that 79 percent of employers are concerned about their ability to **recruit employees with appropriate skills** and ACCI's quarterly Survey of Investor Confidence reported during the last year that the **Availability of Suitably Qualified Employees** was now the number one constraint on future business investment decisions."(emphasis added)*

40. The comments reproduced above are symptomatic of the problem with skill development in Australia. Australian employers believe that it the responsibility of someone else to deliver up to them "employees with appropriate skills" and "suitably qualified employees"

41. The AMWU supports the sentiments of the ACTU as expressed in its decision of 22 March 2005 (Skills Shortage) and in particular commends the following sentiments to the Commission:

".... Executive notes that there is now widespread recognition of a major skills shortage in the traditional trade areas (including construction, metal manufacturing, electrical and vehicle trades. Executive notes that this skills shortage has been recognised by the union movement as critical for some time but, until recently was ignored by federal government and employers. " and,

".... Executive recognises that the existing skill shortage requires immediate action and sustained longer term strategies. In doing so Executive endorses the role of Industry Skills Councils as a primary source of relevant and timely information on emerging skill needs for Australian Industry." and,

".... With increased government and employer investment and some policy adjustment a skills crisis can be averted." and,

".... Executive strongly opposes any attempts by employers and governments to use skills shortages to implement short term knee jerk strategies that do nothing to address the long term need to develop a sound skill base in Australia." and,

¹² Speech – Australia's skill shortages and the need for reform, Australian Mines and Metals Association National Conference 10 March 2005

“.... Executive also rejects any attempts to ‘solve’ the skills shortage by the use of guest labour or implementation of narrow and/or enterprise based apprenticeships where this is not in accordance with the principles underlying the national training framework of developing nationally recognised portable skills that are appropriately remunerated.” and,

“.... Further Executive rejects attempts by employers to use skills shortages as an excuse to globally outsource or send jobs offshore, Not only is this damaging to local employment but will exacerbate the skills shortage crisis.” and,

Executive recognises that the current skill shortage and activities to avoid future skill shortages will only be successfully addressed in circumstances where unions and employers work co-operatively and with a shared objective.”

42. Some consideration should be given to a proposal of Paul Baker, Director of Federal and NSW Government and Social Infrastructure for Hudson Global Resources that penalties should be imposed upon companies who ‘poach’ skilled workers¹³. While the AMWU does not endorse this idea, consideration must be given to how companies can be forced to meet their obligations to train workers. Current incentive regimes are being exploited and are not matched to demand, companies must meet their responsibility to train workers.

Tradesmen’s Rights Recognition Process

43. Current arrangements for overseas skills recognition through the Tradesmen’s Rights Recognition process are subject to stresses which result from chronic under resourcing.
44. A legislative Review¹⁴ report into the operation of the Tradesmen’s Rights Regulation Act 1946 indicates that applications for assessment have ‘trended downward since the early eighties.
45. The AMWU submits that the downward trend results from the rationalisation of the operations of TRA to the extent that applications were discouraged and that the costs associated with applications became excessive.
46. The AMWU submits that the recent announcement by Senator Vanstone, Minister for Immigration and Multicultural and Indigenous Affairs, of additional resources for TRA will not alleviate the problem, or improve access to the services of TRA, if the additional resources are geared to providing direct support to individual employers rather than making the services of TRA more generally accessible.

¹³ Workplace Info, Op.cit, p.1

¹⁴ Report of the Legislation Review of the Tradesmen’s Rights Regulation Act 1946

47. It is essential that greater resources be devoted to the Tradesmen's Rights Recognition process and that there is a strong industry/union control over the process. Only when the key stakeholders are intimately involved in the process will the system work effectively.

VET, Labour Market and Industry Policy

48. It is quite clear that an underlying cause of the skill shortage is the lack of any effective, coordinated policy which links vocational education and training, labour market, and industry policy.
49. Current policy settings focus on allowing market forces to determine the direction of vocational education and training. Labour market and industry policy settings run totally counter to those necessary to promote a positive vocational education and training system that is capable of matching demand and supply.
50. The AMWU submits that the current focus on using skilled migration as a solution to perceived widespread skills shortages is naïve and risks distracting attention from the more strategic issue of what Australia needs to do to establish its capability in the vitally important areas of:
- Increasing investment in the medium to long terms skills needs of Australia;
 - Building capability in anticipating shifting patterns of demand;
 - Eliminating the impediments to the take-up by young Australians of apprenticeships, particularly in manufacturing and engineering trades which include:
 - Discriminatory wage structures that fail to recognise both the increasing ages and educational achievement of prospective apprentices.
 - A downward trend in the availability of traditional apprenticeships that has seen commencements in companies employing over 100 employees halve.
 - Despite some adjustments to the Commonwealth incentive scheme, there is still a bias towards shorter term traineeships which do not require intensive training or support. This encourages New Apprenticeship Centres and Registered Training Organisations to concentrate on areas which provide the greatest commercial return rather than meeting demand;
 - The lack of protection from abuse and exploitation including the absence of training, failure to observe minimum conditions of

employment, and failure to meet the obligations of the Contract of Training.

- In particular, studies have shown that many trainees do not have an agreed training plan as required by the contract and many report that they receive very little quality off-the-job training.
 - Improving performance in the critically important area of apprenticeship completions which continue to trend dramatically downwards compared to historic levels; and,
 - Australian governments at both a State and Federal level taking immediate action to improve Australia's trade performance, including a commitment to a co-ordinated strategy to ensure the future of the Australian manufacturing industry in a competitive global economy.
51. Permanent skilled migration may make a small contribution to our training system thereby increasing productivity. However, the single most important step to increasing skills in Australia is to place respected national qualifications at the centre of the system.
52. What we must reverse is the trend towards de-regulation of the skills system.
53. The global environment in which we operate as an economy demands increasing nimbleness and innovation by industry which in turn is dependant on broad, portable skill sets able to be adapted quickly to changing demand.
54. The AMWU is very concerned about the trend toward skills fragmentation, that is the orientation of skills sets to meet the specific and narrow short term needs of individual workplaces rather than broader skills formation leading to portable qualifications.
55. The AMWU submits that this trend to fragmentation has led, and will continue to lead, to a reduction in career opportunities as skills portability declines. It also increases the transaction costs for business as companies have to devote greater resources to evaluating the skills of prospective employees.

The Way Forward

56. Skilled migration can only be a small part, if that, of the solution to Australia's skill shortage. Some forms of skilled migration, such as temporary skilled migration, are counter productive reducing the long term capacity building ability of the Australian skills system, thereby reducing our long term productivity.

57. The AMWU submits that Australia needs a coherent and integrated policy approach to skills development capable of operating at the industry level in the national interest.
58. The changes in skilled migration arrangements announced recently by the Minister for Immigration and Multi-cultural and Indigenous Affairs, Senator Vanstone, compound the flawed policy approach of government in that they continue to encourage and resource skilled migration on a narrow enterprise based focus in the absence of an industry wide strategy to meet the challenges of skills shortages.¹⁵
59. Given the high levels of labour mobility and high levels of precarious employment, skill formation policies and training policies, including skilled migration programs, which are simply geared to the internal processes of a firm are inappropriate and counter-productive.
60. The external labour market for firms, that is the recruitment of labour externally, has become more important than internal skill formation. It is also quite clear from studies for the Victorian Manufacturing Industry Consultative Council and elsewhere that many firms are unable and unwilling to provide adequate resources and time for skill formation and training on the job.
61. Many firms, particularly smaller firms, are not able to provide trainees or apprentices with the necessary variety of work and training experiences to be able to acquire broad based qualifications to support the development of the wider industry labour and training markets.
62. In this context, the significant skill shortages and the significant decline that has occurred in traditional apprenticeships in manufacturing can only be addressed through more collective industry wide approaches.
63. Given that the workforce is ageing, addressing the skills issues for manufacturing requires an examination of existing workers separately from the issue of entry level workers.
64. But in respect of this there are a number of considerations that must be factored in to any policy response:
 - Levels of subsidies to employees do not reflect the significant additional costs involved and time involved in engineering and printing apprenticeships.
 - The funding for registered training organisations is based on student placement and therefore it is much more profitable for registered

¹⁵ Media Release – Senator Amanda Vanstone: 2005-06 Migration (Non-Humanitarian) Program http://www.minister.immi.gov.au/media_releases/media05/v05052.htm

training organisations to move into areas such as business services where equipment capital costs are low and teaching costs are also lower.

- Linkages between pre-apprenticeship or block institutional training and apprenticeship arrangements.
- Apprenticeships or Cadetships with higher level qualification outcomes need to be promoted. This could be more attractive to young people as it promises higher wage outcomes. It can also be more attractive to industry in providing more flexible workers to meet new demands of technology and work organisation.
- Reviewing the entry level wages for traditional apprentices.
- Significant change to the incentive arrangements to adequately reflect the additional costs to employers of engineering apprenticeships and training and the much greater global competitive pressures under which they operate.
- Much closer links between incentives for research and development and incentives for training.
- Significant programmes are required to develop appropriate partnerships between schools and TAFEs to promote engineering apprenticeship commencements in schools.
- Specific programmes are required in respect of the promotion of engineering careers through professional development for teachers.

65. In respect of existing workers it is quite clear that the spread of recognition of prior learning towards national qualifications for existing workers has been very poor. The major obstacles are as follows:

- The process of identifying within firms what are the competencies which workers already hold and what are the competencies which are needed for future development, that is, the development of a training plan is quite expensive and time consuming.
- Most employers and employees have considerable difficulty in identifying what it is they know, and what it is they need to know. Where this process has been undertaken it removes a major barrier to the future participation by both firms and individuals in further training.
- The funding arrangements for registered training organisations are positively discriminating against their involvement in effective recognition of prior learning. The time and expense involved in

identifying training needs of firms is not taken into account in assessing funding.

- Fragmented enterprise bargaining has also encouraged competition based on lowering labour costs and intensifying work. This has pushed the issues of training and skill formation off the agenda for the purposes of improving productive performance and industrial negotiations.
- Significant decreases in training have also accompanied processes of privatisation and contracting out which have been encouraged by both general government policy and industrial relations and labour market policy in particular.

66. The solutions to the problem of lack of investment and access in training for existing workers are complex but include the following:

- Introduction of measures to increase the level of employer investment in training. This should include linkages between research and development assistance funding and training incentives. It should also include taxation relief and taxation penalties linked to firms investment in training that leads to national qualifications and serves the interests of the overall industry and economy.
- Government incentives to promote collaborative and collective arrangements between firms and involving trade unions to promote increased training investment and cooperative training and skill development arrangements.
- Introduction of schemes to promote investment in recognition of prior learning and the development of training plans.
- Introduction of appropriate regulation and measures to improve skills transition for workers facing restructuring and potential redundancy.
- Specific programmes to address the very sharp decline in para-professional training and qualifications are also needed. This should include specific funding to support Cadetship type arrangements and programmes for workers to progress to these higher level technical qualifications.

Recommendations

67. If the Productivity Commission is to satisfy point 5 of the study's terms of reference to report on impediments to Australia realising the potential productivity gains from migration and from the effective use of Australia's population it should make the following recommendations:

1. That the Australian Government reject the assertions of those who promote skilled migration as a solution to Australia's skills challenges

and determine that any further liberalisation of Australia's regulations for entry of skilled and temporary migrants is not in Australia's interests.

2. That the temporary skilled migration intake be drastically reduced.
3. That the current level of overall permanent migration be maintained, with an increase in the family and humanitarian intakes at the expense of the permanent skilled migration intake.
4. That short term skilled migration be subject to the following conditions:
 - A genuine shortage of skills exists on a short term basis;
 - Skilled migration is not accepted as a solution to the skills shortage;
 - The employer must demonstrate that all avenues of up-skilling existing workers and recruiting locally have been genuinely exhausted;
 - The employer must demonstrate that any workers engaged under skilled migration programs are afforded all of the terms and conditions of employment that are prescribed by the award and enterprise agreement that applies to permanent workers at the workplace;
 - The employer must demonstrate that they are making an acceptable contribution to the skills base of Australia and have an acceptable plan for increased investment in training of their existing workforce and new resident entrants;
 - The employer must reach agreement with the relevant union/s about the number of and duration of the employment of skilled migrants;
 - That appropriate monitoring systems are in place to monitor arrangements in respect of travel, accommodation and recruitment practices.
5. That Australian governments at both a State and Federal level reduce Australia's growing dependence on skilled migration by taking action to improve Australia's skills formation performance, including a commitment to a co-ordinated strategy to ensure the future of Australian industry is not compromised by a continuing decline in training investment by employers. The strategy should include:

- A thorough review of the processes adopted to identify occupations and skill sets deemed to be in shortage.
 - Validation by Industry Skills Councils of the content of the Skilled Occupations List (SOL), the Migration Occupations in Demand List (MODL) and the Employer Nomination Scheme Occupation List (ENSOL).
 - The introduction of training levies to alleviate persistent skill shortages and build skill formation and training capability.
6. That the Australian Government take such steps as are necessary to ensure that government incentives and other support measures are prioritised in support of training and apprenticeships in skill areas of strategic importance or in short supply and particularly in the traditional trade disciplines.
 7. That the Australian government take such steps as are necessary to significantly improve and expand the spread of recognition of prior learning towards national qualifications for existing workers. The Government should provide funding for this process because it serves the broader industry and social good of lifting the level of nationally recognised qualifications. However, the funding should only be provided where the employer is prepared to also invest in further training consistent with an agreed plan towards completion of national qualifications. Expenditure by employers on structured training has been declining and this measure may help to reverse the trend. The major obstacles that government must address include:
 - The costs to industry of identifying the competencies which workers already hold and what are the competencies which are needed for future development which is prohibitively time consuming and expensive.
 - The funding arrangements for registered training organisations which positively discriminate against their involvement in effective recognition of prior learning. The time and expense involved in identifying training needs of firms is not currently taken into account in assessing funding.
 8. That the resources of TRA be substantially increased to facilitate a stronger industry involvement in the assessment process and to provide enhanced accessibility including the re-establishment of state offices of TRA across the country.
 9. That TRA's mandate be expanded to operate in conjunction with state training authorities to improve integration of trade recognition process

having particular regard to the recognition of the skills of existing workers through recognition of prior learning.

10. The federal government legislate for the introduction of training levies to alleviate persistent skill shortages and build skill formation and training capability.