

# SOCIAL SECURITY AMENDMENT (APPRENTICESHIP WAGE TOP-UP FOR AUSTRALIAN APPRENTICES) BILL 2007

## Second Reading

**Mr KELVIN THOMSON** (Wills) (1.52 p.m.)—I wish to speak in support of the second reading amendment to the [Social Security Amendment \(Apprenticeship Wage Top-Up for Australian Apprentices\) Bill 2007](#). It states:

“whilst not declining to give the bill a second reading, the House welcomes additional financial support for first and second year apprentices but condemns the Government’s complacency and neglect of vocational education and training over the past 11 long years seen through:

(1) the Government slashing its investment in vocational education and training by 13 per cent in the three years to 2000;

(2) between 2000 and 2004 increasing this investment by only 1 per cent;

(3) the failure of the Government to address the acute shortages of skilled labour across Australia, which the Government itself estimates to be a shortfall of 240,000 skilled workers by 2016;

(4) the cynical political response to the national skills crisis of a standalone network of Australian Technical Colleges that will only produce 10,000 graduates by 2010; and

(5) the failure of the Government to address apprenticeship completion rates, with almost 50 per cent of apprentices cancelling or withdrawing from training each year while Labor has been calling since 2005 for \$2000 payments to encourage completion of traditional trade apprenticeships”.

This last point is a matter of great concern. A number of speakers in this debate have reflected on apprenticeship completion rates. In my own electorate I have been made aware of an example of a first-year apprentice carpenter who started off on a wage of \$140 per week. Even at the end of that first year, that apprentice carpenter was receiving only \$190 per week in his hand. That apprentice carpenter dropped out in order to pursue more lucrative arrangements for unskilled labourers. Indeed, there are jobs around where people can earn \$500 or \$600 a week and even up to \$1,000 a week as unskilled labourers.

We in this House know that it is better for the individual to complete their apprenticeship or traineeship. We know that it is in this nation’s interests that we develop the skills. We say things like, ‘It’s hard to put a old head on young shoulders,’ but frankly it is up to us to ensure that young people are better rewarded for sticking at their apprenticeships.

In my area there is an organisation known as Apprenticeships Plus. They and their hardy band of host employers do a terrific job in relation to apprenticeships. The employers agree to take on the responsibility of having an apprentice or trainee in their workplace. They support that person through on-the-job and off-the-job training across the entire course of their placement. Our local community recognises that one of the biggest financial commitments and the most important investment that any business can make is in its staff. I certainly want to take this opportunity to acknowledge the time, the initiative and the diligent efforts that the host employers and their staff have provided for their apprentices.

Whilst outcomes from taking on apprentices and trainees vary widely, host employers continue to show a commitment to community participation and a willingness to invest in school leavers, job seekers and secondary school students from within their local areas. I offer my appreciation to those host employers who create opportunities to provide a base for lifelong commitment to a vocation and give apprentices and trainees life skills and choices.

Apprenticeships Plus, like others that operate in this field, have advised me that there is a very high rate of attrition in the first 12 months. Indeed, each year they have to set a budget for the number of apprentices who commence, the number of apprentices who complete and the number of apprentices who drop out. Of those who do not complete successfully, most leave for two reasons. One is a change of career path and the other is that they are simply not earning enough.

For the coming year, Apprenticeships Plus has framed its budget in terms of the prospect that some 40 per cent of apprentices and trainees will drop out. That is simply not good enough. They have given me the example of an apprentice in the horticulture field working in parks and gardens who left school at year 11. This apprentice was earning between \$8 and \$8.50 per hour. Then he moved out of home and the consequence of his moving out of home and having to pay rent was that he threw in the apprenticeship for a \$10-an-hour job sorting recyclable plastics for a well-known recycling company. This is the kind of problem that Australia faces and that this government needs to address.

The bill before the House is aimed at keeping people in apprenticeships. It comes some two years after Labor began calling for additional payments to apprentices in the traditional trades in the form of a \$2,000 trade completion bonus for apprentices. It has all the hallmarks of a government dragged kicking and screaming in the shadows of an election to do something. The latest annual figures show that in 2005 over 128,000 apprentices and trainees cancelled or withdrew from their courses. That is a staggering 49 per cent of all those who commenced apprenticeships or traineeships that year.

While the government seeks to talk about 400,000 apprentices in training, it fails to mention that only 140,000 of these apprentices are completing their training and it fails to mention the fact that less than a quarter of those in training are undertaking traditional trade apprenticeships. After 11 long years in office, under this government the average number of traditional trade apprenticeships has been around 120,000 a year. The average achieved by the previous Labor government was 13 per cent higher, at 137,000.

When you look at completion rates for these traditional trade apprenticeships, an area where Australia faces the most dire shortages, the government's record is even worse, with only 24,700 traditional apprentices completing their training in 2005. Over the term of the Howard government, completion rates for traditional trade apprenticeships have fallen from 64 per cent in 1998 to 57 per cent in 2005. This is significantly less than in Labor's last year in office.

**The SPEAKER**—Order! It being 2.00 pm, the debate is interrupted in accordance with standing order 97. The debate may be resumed at a later hour and the member will have leave to continue speaking when the debate is resumed.

## **SOCIAL SECURITY AMENDMENT (APPRENTICESHIP WAGE TOP-UP FOR AUSTRALIAN APPRENTICES) BILL 2007**

### **Second Reading**

**Mr. KELVIN THOMSON** (Wills) (3.55 p.m.)—Before question time today, I was speaking in support of the opposition's second reading amendment to the [Social Security Amendment \(Apprenticeship Wage Top-Up for Australian Apprentices\) Bill 2007](#) and indicating my view to the House that the bill is not only belated but also is insufficient. It funds only the first and second years of an apprenticeship, whereas Labor's trade completion bonus targets the completion of an apprenticeship. The bill also does not address the fundamental structural issues at the heart of the current skills shortages and is simply, I believe, a bandaid on what

is a structural haemorrhaging in vocational education and training. The TAFE system alone has turned away over 325,000 people while the government has been in power, and is in desperate need of increased funding and investment in infrastructure. This neglect has left the nation facing acute skills shortages.

Young Australians who have not completed year 12 and are not fully engaged in the workforce and low completion rates for apprenticeships are issues that need to be addressed in order to rectify these skills shortages. A skilled workforce is essential for our long-term economic prosperity. It is essential that vocational qualifications are attractive to all Australians—and this begins at the school level. This bill falls seriously short of fulfilling the claim by the Minister for Vocational and Further Education that it will encourage young people to consider technical and trade training. It does not address the root causes of the problem. Providing assistance to only first- and second-year apprentices does not fundamentally resolve the low completion rate of apprenticeships which I referred to earlier. Labor's trade completion bonus for apprentices would make one payment of \$1,000 halfway through an apprentice's training and a further \$1,000 payment at the completion of the apprenticeship. This would help facilitate the completion of traditional trade apprenticeships by providing payments to reward those who continue beyond the first two years and complete their apprenticeships in traditional trades on the national skills shortage list.

This bill does not acknowledge or address the structural root of the existing problem of skills shortages, which is at the school level. At a structural level, Australia needs to lift the number of students who complete senior secondary school and increase the number of people with vocational and skilled trade qualifications. Of those young Australians who have not completed year 12, a significant number are not engaged in the workforce in a meaningful way. Apprentices and trainees who commenced their training contract without completing year 12 have a lower probability of completing their training than apprentices and trainees who have completed year 12. In May 2005, 20 per cent of school leavers who had completed year 12 were not fully engaged in study or work, compared with 40 per cent of year 11 completers and nearly 50 per cent of year 10 or below completers. There were over 48,000 early school leavers not fully engaged in learning or work. Those who finish school are relatively advantaged in terms of education and labour force destinations. So we need to skill up and fully engage young people in our labour force.

This is something that many people are aware of. The Australian Chamber of Commerce and Industry has identified the importance of growing a skilled workforce locally. The evidence is apparent that increasing secondary school completion rates and establishing clear avenues to post-school education and training are imperative for increasing productivity and individual prosperity as young Australians are equipped to avoid unemployment and/or underemployment. The OECD has identified a clear link between increasing retention rates and increasing productivity with better employment outcomes and social inclusion available to individuals.

Many young people see education solely as a means to employment. This means that there is less incentive to complete year 12 if there are opportunities as unskilled workers, and senior schooling is unfortunately too often seen as simply a means of gaining entry to university. Improved access to vocational education and training in schools and to school-based apprenticeships will make schooling more relevant for the almost two-thirds of students who do not go on to university study. A school environment that is more engaging for students with vocational programs could be integrated with mainstream subjects and thereby capture the imagination of students. This would provide a disincentive to leaving school before year 12 as the value of remaining becomes apparent.

Vocational education and training should be seen as a genuine choice for young people and should be reflected as such in the standard of facilities available at secondary school level. Facilities at secondary school level accommodating vocational education and training need to be upgraded and improved. State and territory governments have recognised the importance of a high-quality vocational education and training system and its integration within the school system. A federal Labor government would, with a national school based vocational education and training system, invest some \$2.5 billion over the course of the next decade to lift secondary school retention rates and to create high-quality vocational education and training opportunities throughout Australia's secondary schools. This kind of approach to vocational education and training and trade skills goes to the heart of the problem and invests in our human capital. By increasing retention rates in schools and rectifying the underemployment that characterises a significant number of early school leavers, productivity and workplace participation will be lifted. I believe that a high-quality national system of vocational education and training at the school level that engages students will facilitate higher retention rates and will increase the reputation and perception of vocational education as a first-class career choice. This will go a long way towards meeting our skills shortage and providing a long-term solution.

The government has also substantially increased the number of skilled migrants coming into Australia. During 2004-05 the government increased the number from 63,300 to 97,500—a 50 per cent increase. Skilled migration to Australia is now more than four times what it was in the last year of the Labor government, jumping from 24,100 to 97,500. That jump is so big that it has caused total migration levels in Australia to almost double what they were in the first year of the Howard government—from 73,900 to 146,500. Over the years I have taken a big interest in unemployment because of its impact on the community that I represent and I have come to the conclusion that unemployment nowadays is all about education and skills. If you have got the education and the skills you will get a job. If you have not, best of luck. It is a mistake to import skilled migrants to meet our skills needs and allow our own young people to languish on the scrap heap for lack of decent investment in skills and education. This goes on in tertiary education. Domestic undergraduate commencements have increased by the very meagre amount of 3,000, from 132,000 to 135,000. That is a bare two per cent increase—essentially flatlining. During the same period undergraduate commencements by overseas students in Australian universities have increased by 20,000, from 16,000 equivalent full-time students in 1996 to 36,000 students by 2003—a 125 per cent increase. As you might expect, this has led to a dramatic increase in the percentage of Australia's student population who are overseas students. In 1996 it was 10.8 per cent of the student population. By 2003 it had doubled to 21.1 per cent. This means that young Australians are missing out on university places and the job opportunities that come with the university places. It is the same with apprentices and trade training. We have seen cutbacks in federal government support and a move to import our need for skilled labour, essentially outsourcing our demand for skills and training.

Labor believes that we can do better. In May 2005 we called for the budget to include a trade completion bonus for apprentices to address the skills crisis. It is regrettable that the government has failed to take up this initiative. In 2005 the government decided it would make income support through Youth Allowance and Austudy available to apprentices, but the harsh participation requirements for these payments have meant that only a small number of apprentices have been benefiting from this support. Of the 60,000 apprentices that the Department of Education, Science and Training estimated would receive youth allowance in 2005-06, only a quarter of this number—15,000 apprentices—actually received income support. When the government was challenged, the explanation it gave for the low take-up rate was that apprenticeship and parental incomes were higher than

anticipated. Yet, in the bill before the House, we can see that the government acknowledges through the apprenticeship wage top-up measure that these wages need to be supplemented.

Along with a failure to provide adequate financial support for apprentices and to address the appalling completion rates, particularly in traditional trades, the government has presided over neglect and underinvestment in the vocational education and training sector. We have seen a slashing of investment in vocational education and training. The government's own estimates show Australia facing a shortage of more than 200,000 skilled workers over the next five years. Part of its response to this has been to spend half a billion dollars on a stand-alone network of Australian technical colleges that will at best only produce 10,000 graduates by 2010. The other side of the coin here is that the TAFE system has turned away over 325,000 people and is crying out for additional recurrent funding and investment in infrastructure. In order to seriously address the magnitude of the current skills crisis, we need to focus on the areas of maximum impact. That includes the TAFEs, which are responsible for the substantial majority of post-secondary vocational education and training. We need to focus on vocational education and training in schools. We need to focus on on-the-job trades training. That is why Labor has announced a 10-year \$2.5 billion trades training centres plan aimed at the million students in years 9, 10, 11 and 12 in Australia's 2,650 secondary schools. This plan will provide secondary schools with between \$500,000 and \$1.5 million in order to build or upgrade the vocational education and training facilities in order to keep kids in school, enhance the profile and quality of vocational education and training in schools and provide real career paths to trades and apprenticeships for students. I commend the amendment to the House.