



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

**STANDING COMMITTEE ON EDUCATION, TRAINING AND
YOUNG PEOPLE**

(Reference: Vocational education and training and skills shortages)

Members:

**MS M PORTER (The Chair)
MR M GENTLEMAN (The Deputy Chair)
MR S PRATT**

TRANSCRIPT OF EVIDENCE

CANBERRA

TUESDAY, 13 MAY 2008

**Secretary to the committee:
Dr S Lilburn (Ph: 6205 0490)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

WITNESSES

**PETERS, MR CHRISTOPHER BRIAN, AM, Chief Executive, ACT and
Region Chamber of Commerce and Industry108**

The committee met at 11.07 am.

PETERS, MR CHRISTOPHER BRIAN, AM, Chief Executive, ACT and Region Chamber of Commerce and Industry

THE CHAIR: Are you familiar with these matters?

Mr Peters: I am.

THE CHAIR: You have read the privileges card and you understand the privilege implications contained within it?

Mr Peters: Yes.

THE CHAIR: For the record, I move:

That the statement be incorporated in Hansard.

The statement read as follows:

The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the Resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of Assembly and committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence given before it.

Parliamentary privilege means special rights and immunities attach to parliament, its members and others, necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish or present all or part of that evidence to the Assembly. I should add that any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

THE CHAIR: We are really happy that you are able to be here today, after our last aborted attempt. Welcome to this inquiry on skill shortages. Would you like to make some introductory remarks and then we will ask some questions?

Mr Peters: Certainly. I am here as Chief Executive of the ACT and Region Chamber of Commerce and Industry. But I am also involved in a wide range of other government organisations that are impacted by the skill shortage and the vocational training issue. I am deputy chairman of the Board of Senior Secondary Studies, which is the year 11 and year 12 certificate and courses that our students study at school. I am a commissioner of the Skills Commission, which has been set up by the ACT government to try to address some of these issues. I am also a member of the

Vocational and Educational Training Advisory Group, which is a small group of people concentrating on vocational education as part of a department of education unit.

From a background point of view, the ACT has the lowest unemployment rate in Australia. It is currently about 2.7 per cent, but it has fluctuated between 2.4 and 2.7. That is what are called trend terms. In absolute terms, last month it was 1.7 per cent unemployment, which is unbelievably low. From a general business point of view, it has been out there in the past that anything under five per cent are those people who really do not want to work. To have an unemployment rate in the low 2s is quite remarkable.

We also now have the No 1 participation rate in Australia. We were No 2 for a long time but we have just passed the Northern Territory. That means that we have very few people who are capable of being in the workforce that are not. Be it stay-at-home mums or be it people who choose to be on welfare, we have got a very low percentage.

We and Adelaide together have the fastest ageing populations in Australia. That is due to our age demographics. My guess is that, in the case of the ACT, it is because of the fact that the last of the commonwealth departments were moved out of Melbourne to here in the late 1960s and the young officers who came with those, who are my generation—the baby boomers—are now looking at retiring.

The fourth issue that contributes exclusively to Canberra is that about 40 per cent of our workforce works for government. The baby boomer generation in the commonwealth government superannuation scheme have a system where, if they do not retire before they reach the age of 55, the so-called 54/11 issue, they have to stay until they are about 63 to get the same superannuation benefits back. For that reason, understandably, we lose our public service people about a decade earlier than anywhere else in Australia. Those four issues combine to give us a significant skill shortage.

On top of that, we have had a fast-growing economy for the last nine or 10 years. We have been growing quite strongly. Business has been trying to grow. We have been soaking up the skill shortage that we had in the past. I have been talking about the skill shortage now since the year 2000. It has been eight years that I have been warning about what is going to happen. No-one listened to me until about two or three years ago, when government and the media started to listen. The Chief Minister and I were put on the spot by media at one of our quarterly business expectation survey launches, and that is when it became an issue of public concern.

We now have a situation where we have got skill shortages in Canberra in all of the professions, with one exception: pharmacists. We have got enough pharmacists. The pharmacy profession foresaw the ageing problem 10 years ago and started training more people. None of the other professions did.

The top of the shortage list for the professions is engineers and health professionals—doctors, nurses et cetera. We have got an acute skill shortage in all of the trades, in all of the semiskilled jobs and, indeed, in the unskilled jobs. Whilst many of us talk about

the skill shortage, our problem is that we really have a population shortage.

I give two examples. One is that we have got two members who are running refrigeration businesses, air-conditioning companies. The technical trades that they employ are called refrigeration mechanics. It is a four-year trade. These people could have left school at 15 and gone to the trade. They might have finished year 12 and been a couple of years older. These businesses want a trade skill with a minimum of two years practical experience. They could be 21, 22, 23. The going rate in those two companies is this: one of them is offering \$165,000 a year and cannot get anyone; the other business is offering \$175,000 a year and cannot get anyone.

At the other end of the spectrum, we have a member that runs a business that paints dotted lines down the middle of roadways. He cannot get six people to hold stop/go signs. You do not even have to be able to read; one side is red, one side is green.

THE CHAIR: You might be colour blind?

Mr Peters: Yes. We have gone from where the skill shortage about 2½ years ago was No 13 on the business list of concerns to about 18 months ago, where I think it became No 1. It continues to be the No 1 issue of concern to business. Business in Canberra is now unable to grow as much as it would like to, simply because it cannot get people. That is the background to the shortage we have got.

From a vocational point of view, which I understand is your specific area of interest, the vocational system in the ACT is, in my view, one of the best in Australia. We have got a small community and we are able to work together. The education department is very focused on what the issues are. They communicate and consult well with business.

Our problem is not that our education system is failing us—it is not—our problem is that there just are not enough people wanting to do courses. If the motor trades industry, which is desperately short of people, is successful in recruiting five people into a trade apprenticeship to become motor mechanics, that is just five people who cannot do something else. We are not trying to recruit people to vocational courses that are not doing vocational courses. There is competition between the different trades and the different professions.

Indeed, from my personal experience, this is the first time this has happened since the late 1960s. When I left school in 1968, it was the same situation. There was such a shortage that people could decide on any career that they wanted, provided they equipped themselves with the qualifications they needed. Today is exactly the same. If you want to be a doctor, lawyer, dentist, motor mechanic, panel beater or refrigeration mechanic, there are plenty of jobs; it is just a matter of what you want to take.

There are a few things we can do to make the system more attractive. Generation Y's view of a long-term commitment is a bit different to what my generation's was. In my generation, if you wanted to study a trade, a four-year training period was what was expected to get the skill. Most people would commit to that either for life or for most of their career.

Today, with generation Y, that has varied dramatically. Firstly, to a generation Y person, four years is literally a lifetime. Getting someone to commit to a four-year trade is something that is beyond their understanding; why would they want to do that? Secondly, in their working lifetime, they are expected to have seven separate careers. I do not mean seven separate jobs; I mean seven totally separate careers. Generation Next, which is the young people now at school, are expected to have 13 separate careers in their working life.

One of the challenges is to try to condense the time it takes to become vocationally qualified. Our first experience in that, which was very successful, was in the chef industry, a traditional four-year qualification. We have managed to squeeze a year out of it.

We did some surveys of both employers and employees at the end of the first one. The first one showed that the employers believed that the graduates were better trained than they had been under the traditional four-year qualification, because it was more concentrated, more professional; they were not wasting time washing dishes. The graduates, the vocational students, believed that it enhanced their career opportunities. That one was a great success.

We have just started one with hairdressing. That is an industry where kids, typically, spend the first 12 months on the end of a broom, as poorly paid, cheap labour. We have squeezed that first year out of it. They go straight into their training, straight into developing their skills quickly, into cutting hair, which is what they are there to do. We will not know the success of that for another three years, but we expect it will be similar to the chef experience.

The same thing could happen in all the trades. This has now been taken up nationally by the commonwealth government, but it was started here in the ACT as a trial, with the so-called accelerated chef program.

There are ways in which we can be a bit smart. We are finding employers, for example, are—one would like to think they are doing it by choice, but in many cases they have been forced to do it—having to be more flexible when offering employment opportunities, be that immediate post-school people doing a vocation and getting a VET qualification or be that people of middle age or older in life who are coming back and wanting to change careers.

I indicated that we have got an acute skills shortage problem. There are really no solutions to it. There are some possible solutions. The first one is to do something about the population and do something about our birth rate. By definition, it takes a generation.

The second is to attract people from interstate. The live in Canberra campaign has been successful in doing that. It is an ACT government program. It is attracting some people in high-unemployment areas such as the western suburbs of Sydney and attracting people from overseas. That is a complicated system. Visas are a problem, particularly for small business. It does not have the resources to put into going through that red tape. We were delighted to see in the current ACT budget a doubling

of resources in the Chief Minister's Department to assist small business in going through that process.

The rest of the Western world has a skill shortage generally. So there are very few opportunities. There are still some pockets where we can bring people from overseas. For example, Germany still has some trades qualification, mainly technical people. They had a very high unemployment rate as a result of the merging of the East German and West German economies. It got as high as about 18 per cent, but it is now down to about eight per cent. That is drying up quickly.

There are health professions in Belgium that are in oversupply. There are chartered accountants in Bangladesh that are in oversupply. With the exception of those little pockets, the rest of the world has got the same problem.

The easiest and quickest for us, as a community, is encouraging mature-age people to stay longer in the workplace. Some people will not want to do that. It is their choice. They want to retire. Some people will choose to work longer in the workplace, either full time or part time.

What we are typically seeing is people who are at normal retirement age being much more selective in what they want to do. They are saying, "I am willing to keep working, but not under the conditions I have been working." For example, a high-powered sales manager who loves dealing with his or her top 12 customers is happy to do that, but they do not want to be responsible for ongoing motivating of the sales team. They find that wearying.

They give that up. They take a lower salary and return to doing what they like doing, maybe in return for flexible working hours—typically with mature-age people, they might want to have half a day off a week to play golf or do whatever it is with their mates and maybe one or two afternoons a week to pick up grandchildren from school or something like that.

The best businesses are offering that as an attraction to people. Other businesses are being forced to offer that because people are demanding it. It has gone from 10 years ago, where an employer said, "Here is the job, here is the salary; take it or leave it," to now, where it is a question of: "We need someone. What do you have to offer?" It is now the potential employees that are interviewing employers and telling them what they want to be paid, the hours they want to work, the conditions they want to work under. That is a complete turnaround. Businesses that embrace that are doing well. Those that are not able to cope with it are finding it extremely difficult.

MR GENTLEMAN: You commented earlier about the hairdressing profession. You said that in their first year they were poorly paid, cheap labour. In stark contrast, you talked about refrigerator mechanics now being offered \$165K. What is the rate now for the second-year hairdressers who are doing their apprenticeship?

Mr Peters: I cannot give you that figure off the top of my head. I can get it for you. There is a national training award which, from a whole of Australia point of view, sets down the rate of pay for people in apprenticeships. So they are not bound by the traditional award system. There is a federal award that overrides that.

Let us talk about general awards to start with. They used to be called a paid rate award, which was the typical wages being paid to do a typical job. Under the former federal government they became a safety net award, which meant you could not pay less than that, but it was rare that people were being paid that. Typically, people were being paid 25 per cent to 30 per cent above award. That has not been as widely adopted in the training award situation. So first-year apprentices are typically paid a first-year award rate, which is appallingly low. Second, third and fourth year are better paid, and once they have graduated they are extremely well paid.

But for young people today, to whom two years is a lifetime, to go into training at a base rate of a first-year apprentice when their mates are doing something else—it might even be simply as a labourer—and being paid twice as much, are less likely to say, “I’m prepared to put up with this for a couple of years to get the better job.” Again, the better employers are saying, “Forget what the award is; this is what we need to pay our young people to keep them motivated.” We are seeing that happening, but we are not seeing it happening across the board.

MR GENTLEMAN: Yes, it has been brought up with other witnesses. People in training, for example, might be earning \$11 or \$12 an hour and their friends who are working for Woolies are getting \$25, so it is difficult to keep them.

Mr Peters: Yes, exactly. They will be getting \$75 in three years time, but they are not prepared to wait for the three years. That is an issue that can be addressed. The industrial awards system is a negotiation between employer groups and employee groups in front of the Australian Industrial Relations Commission. I am not aware that there has been any application from either side to increase those rates. From our point of view, the chamber of commerce would support an increase in the first and second-year rates. In my personal view, they are academic, because businesses should be paying what they should be paying, and the award is only a safety net. But the reality is that that is not happening. So we do need to increase the first-year rates, and that can be done relatively easily.

THE CHAIR: It occurred to me, when you were talking about all the trades in which we have a shortage, and the fact that we do have a population problem and we are encouraging people to come and live here, that we already have, most probably, a problem with building the houses in which they live because we do not have the tradespersons to build them. Once they become qualified, they can ask for the world for their services because they are in such short supply that that pushes the price of housing up, as much as we are trying to bring it down with the affordable housing strategy. Do you want to talk about how we can manage all of that?

Mr Peters: Certainly, the trades, particularly in the construction area, will move around to meet the needs of the market. It is a colloquial saying but it is literally the ute, the dog in the back and “we’ll go where the job is”. Indeed, if the Sydney housing market were to improve, we would stand the risk of losing a lot of our tradespeople who currently commute from Sydney to Canberra on a weekly basis and go home on a Friday afternoon. I have heard a figure that it is several thousand who come and go every week. I do not know the figure. The Master Builders Association may be able to help you better on that. But I understand that several thousand tradespeople a week

come in and then leave town. Sydney prices are currently depressed so they get better rates working here. If we were to lose them, we would be worse off.

To some extent, the industry does respond. For example, there has been a shortage of motor mechanics for quite some years. I was surprised when I bought a new car a year ago that the first service was not at 2,000 or 5,000 kilometres; the first service was at 20,000 kilometres. So technology is being used to get around the shortage of tradespeople.

Another example occurred after the devastation of the Canberra bushfires, where the price of laying bricks went from 50c a brick—they price them per hundred, but the price per brick—to 75c a brick to \$1 a brick to \$1.50 to \$2 to \$2.50 to \$3. It got as high as \$3.50 a brick, from 50c, as a direct result of the skills shortage. What happened? Many of the houses being built in the areas that were devastated by fire have little or no bricks in them. They are now putting up pre-cast concrete walls, lots of glass—ways to get around the skills shortage. So the market does respond, but it does not help our trades or bricklayers.

THE CHAIR: Going back to the ageing population and the 54-11 cut-off point, should we be looking at that as an issue? What powers do we have to do that? Perhaps we should be looking at it as an issue. How do we encourage people to stay, with some other incentives, or to come back? How can we work with that issue?

Mr Peters: There are two issues. The first is: why do we have the 54-11? The answer is: I can't understand it. The commonwealth government, literally at the stroke of a pen, could fix that problem, so that people are no longer disadvantaged. They could still go at 54-11 if they wanted to, but at the moment they are disadvantaged if they do not go. That is easily fixed. It is not a 100 per cent problem because many do retire at 54-11 and then come back the next day as contractors. There is a percentage that do that. I do not know the exact figure but my guess is that it is in the order of 25 per cent to 50 per cent of them doing that, so we are not losing all of them, but we are losing all of them from full-time positions.

The other issue which, unlike the first issue, which is a commonwealth government matter, is within our control, is: assuming that people will retire full time and then want to come back and do something that might be slightly different, how does our vocational education system respond to that? Do we need to offer upskilling or reskilling? When we took that proposal to the ACT Department of Education and Training, they immediately implemented a mature age retraining program. So there is that facility there now that was not there maybe 12 months ago.

The problem, however, is a cultural issue: people of my age are more likely to say, "I want to do what is within my qualifications and experience rather than retraining to do something else." So I am not so sure there will be a great take-up of it. It is more likely that we need to refine their skills rather than retrain them in a different area.

We are also seeing from a business perspective a significant move away from formal qualifications. When the vocational education sector was first introduced, people did a certificate II, a certificate III, a certificate IV or a higher one, and that was it. As the skills shortages are continuing to bite, employers and employees no longer have the

interest in putting all the time in to getting the full qualification. They are much more likely to say, “I need some help in improving my skills in this area; where do I buy that training around the issue I’ve got?” So it might be MYOB, how to run the payroll system, or something. They do not want the whole course; they want that little bit.

CIT are responding to that. They have introduced what I have been referring to as bite-sized training programs. You can bite a bit of this and a bit of that. We hope that, over time, as they have done these bits, someone can go back and say, “You’ve done that, you’ve done that and you’ve done that; if you do this bit, that now becomes a certificate III in whatever.” So we can still keep them interested in the formal program, but that is now secondary. It is a matter of “how do I get the training quickly to help me solve the problem I’ve got now?” We are talking about the increasing age of the population. The older we are, the more likely we are not to say, “I want to go back to university and do a doctorate.” It is too hard.

MR PRATT: Going back to one of your comments: you said that employees are now asking for more in terms of their conditions and it is the employers who can adapt to that who are coping. Can I just clarify that? Are you saying that, if an employer does not adjust their attitude to the new marketplace, they are really in deep strife?

Mr Peters: Yes. All employers are finding it difficult to get staff, no matter how flexible they are. Those that are not flexible are finding it much more difficult. Typically, you are finding now that, because of the processes of government, government is at a significant disadvantage. The system in your place for a position—I have recently recruited a new PA—is that we do interviews, we check out the references and we make a job offer in writing before the end of the day. If government take three weeks to go through that process, it is too late. The reason is that the person I am interviewing has three or four job offers; they choose the one they want: “I like that job because it sounds exciting” or “I like that job because it means I can take some time off, to be flexible if my child is sick.”

We only have a small staff in our place—13 of us—and we have a number of separate arrangements built specifically around individuals’ needs. For example, our workplace relations director chose to come to us from the commonwealth government. She is earning a lot less money working for us than she could earn in the commonwealth government, but we meet her flexibility needs: she has Monday afternoons off to take the kids horse riding, and if one of the kids has to go to the dentist next Thursday it is not an issue. That is what is attractive to her in working with us.

MR PRATT: It is a family package, basically.

Mr Peters: A family friendly work environment. I do not see that as a negative. I see that as a significant positive and something that we as a community are marketing to the rest of Australia and the rest of the world in this live in Canberra campaign. One of the things we have to offer is a clean city, a friendly city, one that you can get around, and flexible working conditions.

MR PRATT: Clean air, anyway.

THE CHAIR: I know that bringing people from overseas is complex. I know that Germany, Belgium and Bangladesh are potential areas for us to attract certain kinds of workers from because of their oversupply. I am particularly interested in Belgium; did you say that was where the health workers were?

Mr Peters: Yes.

THE CHAIR: Do we have a program in place that you are aware of to get people from those areas, apart from the live in Canberra campaign? Are we focusing? I know we have been going to South Africa a bit, but I had not heard that we were going to these particular countries.

Mr Peters: it is one of the things I regret that we are not doing as a community, and you might consider how we might do it. Those three examples are literally ones that fell across my desk because the ambassadors of those three countries have been mates of mine. I regret that we have not had the time to put some strategic thinking into: what skills do we need? Everything. What countries might have oversupplies; how do we find out? Those three opportunities literally came up because the ambassadors are mates. There are reasons for each of them.

For example, in our culture our young people are admitted to study medicine based on the university admission index they achieve, and you have to get 99 point something to get into medicine. The Belgian culture does not work that way. You get admitted to a university based on your university admission index. Once admitted to the university, the student then chooses which course they want to study. People still think medicine is a desirable career, so they choose to study medicine.

In the Australian system, we have one GP per between 1,500 and 2,500 people, depending on which part of Australia—some parts of Australia do not have any, but that is the typical range. But in Belgium there is one GP per 300 people, and they are going broke. You then start thinking about the other issues. English language? It turns out that Belgian medical degrees are all delivered in English only. If they are 50-year-olds, maybe they have not been keeping up with their English, but if they are recent graduates they are fine. You then say: does Australia recognise Belgian medical qualifications? Initial answer: no. Next question: why not? Is it because we do not approve them? Answer: no, we have never even considered them because it is such a small country.

MR PRATT: Do we think they are barefoot doctors or something?

Mr Peters: Yes.

THE CHAIR: So we need to investigate that.

Mr Peters: Yes. We recognise Belgian qualifications; it is just that we have never specifically looked at Belgium. Look at the German engineers. They are in oversupply because of the economic situation. It is mainly the 40-plus age group of engineers; they are highly respected engineers. Germany has always had the best technical trades system in the world. Then you start looking at some of the cultural issues.

In our culture, most people are required to give notice before they quit—typically a month’s notice—and we all know that, if we really want to, we can work ourselves out of the door this afternoon by making sure we resign in the right way—to go to work for a competitor or something. In the German culture, one is expected to give 12 months notice of resignation, except in the new high-tech industries where one is only expected to give six months notice.

Then you have other cultural issues. I do not know whether you have ever looked at a visa application form, but I have helped a number of people fill them in, and they are a nightmare. I have had two people come from countries where English is their main language—they are not G8 countries—and in one case the guy was educated in Britain, at Oxford University. They cannot understand the forms; the forms are overly complicated.

But, even if you can understand the forms, you or I would fill those forms in based on our best recollection of what our history was. What is your employment background? I did this from that year to that year and I did this. German culture is precision, so their thinking is to go back and find all the records and get the exact dates. We do not say to them that they do not need that; this is just rough information. So the Germans start filling in the forms and, if they are 45 years of age, which most of them are that are unemployed, they look at them and say, “Oh, it is too hard; I don’t know where the records are.”

MR PRATT: If they are four weeks out, they are in trouble.

Mr Peters: Exactly. Bangladesh is yet another example. I called in the two major professional accounting bodies, the Institute of Chartered Accountants and the Australian Association of CPAs, and said, “There is this huge opportunity in Bangladesh.” In both cases, their immediate response was that they do not recognise the Institute of Chartered Accountants in Bangladesh because of the qualifications issue.

I said, “Okay, I understand that, but are you aware that about 25 per cent of the chartered accountants in Bangladesh were educated in the UK and hold UK qualifications, which you do recognise? And do you also understand that about an additional 25 per cent of chartered accountants in Bangladesh are educated in Bangladesh by UK institutions, issuing UK qualifications? So half the population’s qualifications you do recognise.” They were not aware of any of that. Are they bringing any in from Bangladesh? No, it is too hard.

THE CHAIR: On that note, thank you very much. We will get the transcript to you as soon as possible. If members have other questions, would you be happy to answer them if we got them to you quickly?

Mr Peters: Yes.

THE CHAIR: Thank you very much for appearing before us today.

Mr Peters: I presume you are aware of the Skills Commission’s report?

THE CHAIR: Yes, we have all got that. When we get the report finished, obviously we will get a copy to you.

The committee adjourned at 11.43 am.