



THE UNIVERSITY OF
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Business School

Bargaining for skills

Strengthening coordination of
immigration, training and industrial
relations in the vocational trades

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Executive summary

This report examines the extent to which industrial relations, training and immigration policies are meeting workforce needs in the vocational trades. These issues are pertinent to the focus of the September 2022 Jobs and Skills Summit, yet few studies have explored how industrial relations, training and immigration combine to address skills needs. This report based on a three-year Australian Research Council-funded project addresses this gap. Its findings are based on an analysis of academic studies, statistical data and interviews with 60 industry stakeholders. Its recommendations are designed to generate ideas to allow employers, unions and government to address workforce needs in a more sustainable manner.

The report finds that current industrial relations, training and immigration policy arrangements need reform. These arrangements have been designed to satisfy the immediate demands of individual employers but are less equipped to meet longer-term workforce needs. Problems with job quality and insecure work have been barriers to workforce attraction, retention and development. Concerns over poaching and the quality of skills production have discouraged employers from investing in vocational training. Unscrupulous employers have been able to gain an unfair advantage by mistreating temporary migrant workers rather than investing in training and improving job quality. These findings are developed from an analysis of the skills ecosystems in two industries reliant on vocational trades skills: hospitality and construction.

The hospitality industry faces major challenges addressing its future skills and workforce needs. The relatively young profile of hospitality workers and high turnover rates suggests that many workers regard the industry as an avenue of short-term employment and as a stepping-stone to careers in other industries. Problems with job quality in hospitality have contributed to its difficulties attracting and retaining workers. Declining vocational training outcomes suggest existing mechanisms for skills development and utilisation are not working effectively. While hospitality employers have relied heavily on temporary migrant workers, as the workforce problems created by border closures during COVID illuminated, there are major problems with migrant workers in the industry being mistreated. The report finds none of the mechanisms that constitute the hospitality industry's skills ecosystem appear to be functioning effectively. Coordination of industrial relations, vocational training and immigration arrangements needs to be strengthened to address the industry's workforce needs on a more sustainable basis.

The construction industry also faces challenges meeting its projected workforce needs. While the number of workers in construction trades training has increased, the proportion of construction trades workers relative to total construction employment has declined. There are concerns over the relatively low apprenticeship and traineeship completion rate and training quality. Low levels of female employment and a large gender pay gap in construction indicate the industry is highly gender segregated. Low apprenticeship wages and a prevalence of insecure work serves to deter construction workers from completing their trades training. Smaller construction firms have become more reluctant to train due to the perceived risks of competitors poaching skilled workers. Temporary visas designed to address short-term employer demand have helped to overcome the shortcomings of the training system, but overreliance on temporary migrant labour in certain industry segments may have discouraged some construction employers from investing in skill formation.

The report argues that *industry coordination* needs to be strengthened to ensure industrial relations, vocational training and immigration policies function in a complementary manner towards a common purpose and that employer associations and trade unions work together to achieve this. A consistent finding of international research is that industry coordination is the most effective way to address collective action problems, such as training underinvestment and poaching, i.e., employers having their trained workers recruited by other firms. These collective action problems commonly arise in enterprise-based systems of workforce development, such as the Australian system. In countries renowned for international best practice for workforce development, industry coordination is achieved via sector-wide bargaining. The report presents 13 recommendations to strengthen industry coordination over skills.

Recommendations

This report makes 13 recommendations to reform industrial relations, vocational training and immigration arrangements to address future workforce needs on a more sustainable basis.

These recommendations are:

1. The Australian Government should redesign temporary skilled visa regulations to ensure they address skills shortages to improve industry competitiveness rather than individual employers' recruitment difficulties, which may be due to uncompetitive wages and poor job quality. An industry-sponsorship model should replace the existing single-employer sponsorship model, which is poorly equipped for addressing skills shortages (as distinct from recruitment difficulties) and increases the risks of underpayment and mistreatment. Under an industry sponsorship model, employer associations and unions in the relevant sector/region should be the joint sponsors of skilled migrant workers. Since workers are best positioned to know how their skills can be most effectively utilised, they should have freedom to move between employers so long as their work relates to their area of sponsorship. Worker mobility would further reduce the risks of mistreatment and underpayment and address skills shortages more effectively.
2. The Australian Government should remove restrictions on temporary migrant workers' mobility between employers, their access to government support and collective representation, and their pathways to permanent residency and citizenship. Under current regulations, these restrictions have directly contributed to problems of temporary migrant workers being underpaid and mistreated.
3. Governments should increase funding of reputable training providers, such as TAFE colleges, non-profit adult and community educators and registered training organisations operated by employer associations and trade unions, to improve training quality and reliability.
4. Employers should work with trade unions and governments to develop strategies to improve workforce attraction and retention among Indigenous Australians.
5. Employer associations and trade unions should work together to strengthen industry coordination over training. This would help to reduce risks and collective action problems that have contributed to poaching and employer underinvestment.
6. Employers should improve job quality – including among apprentices and trainees – to strengthen workforce attraction and retention. This could be achieved by ensuring that wage levels and working conditions are competitive and compensate workers fairly, safeguarding workers' job security, and providing better opportunities for workers to acquire the skills and experience necessary to develop careers in the industry.
7. Employers should reduce standard working hours to ensure that workers with care responsibilities can reconcile their work and family responsibilities. This would help to improve women's employment in male-dominated industries such as construction and their retention in industries with reputations for poor job quality such as hospitality.

The report recommends the creation of sector-wide collectively bargained 'Sector Skills Agreements' between employer associations and trade unions setting out how workforce needs should be addressed as the best way to strengthen industry coordination over industrial relations, vocational training and immigration arrangements. The following six recommendations would ensure the effective operation of Sector Skills Agreements:

8. Sector Skills Agreements should specify jointly agreed principles for responding to immediate and longer-term skills and workforce needs and for developing workers with quality, transferable skills. Sector Skills Agreements should be collectively negotiated between employer associations and unions since these stakeholders are best placed to jointly determine the solutions for addressing their industry's immediate and longer-term workforce needs. Sector Skills Agreements should be supported by quality training providers like TAFE and informed by workforce projection data provided by the National Skills Commission.

9. Sector Skills Agreements should determine the respective roles to be played by industrial relations, training and immigration arrangements in addressing the workforce needs of each sector. For instance, each agreement should specify how many apprentices to be trained in a given period, how many temporary skilled migrants to be sponsored, and the criteria for allocating sponsored temporary skilled migrants to particular employers. Each Sector Skills Agreement should set out baseline expectations for how many apprentices employers should train each year adjusted for business size, incentives for employers who train more apprentices above the baseline (e.g., training subsidies, access to recruit skilled migrants), and sanctions for employers who train less than the baseline (e.g., training levies, restrictions on recruiting temporary skilled migrants). Employer membership of the relevant employer association could be a requirement for access to these provisions, while the relevant unions and employer associations should have responsibility for ensuring compliance with the terms of each agreement.
10. Under each Sector Skills Agreement, the guidelines that employer associations and unions use to assess the respective roles of industrial relations, training and immigration in addressing workforce needs should follow the framework established by the UK Government's Migration Advisory Committee. This framework recommends skills needs to be addressed primarily through training and industrial relations mechanisms, such as wage increases and job quality improvements, to expand the pool of labour available domestically. It recommends that immigration be utilised once these other measures have been exhausted.
11. Where a Sector Skills Agreement deems temporary skilled migration to be necessary, it should be based on the industry (or regional) sponsorship model outlined above. Employers who do not comply with the terms of the relevant Sector Skills Agreement should not be eligible to employ skilled migrant workers under this model.
12. Regional areas typically face greater struggles than major metropolitan centres in attracting, retaining and developing skilled workers. In recognition of the acute struggles of regional areas in addressing their workforce needs, priority should be accorded to developing 'Regional Skills Agreements' to be negotiated between state/territory or regional branches of employer associations and unions detailing more specific measures to address the needs of particular regions, albeit within the terms of relevant Sector Skills Agreements. The allowance of localised industrial relations, training and immigration arrangements set out in Regional Skills Agreements would help to address this.
13. The creation of Sector Skills Agreements would be distinct from the operation of enterprise agreements. However, there is scope to amend enterprise agreement regulations to allow employers and workers, within the parameters of the relevant Sector Skills Agreements, to more easily develop tailored arrangements to meet the specific skills and workforce needs of individual enterprises. Such arrangements should, however, be devised in a way consistent with occupational standards to ensure ready transferability of the skills developed.

1. Introduction

Australia currently faces a skills crisis. Workforce shortages have been reported across a diverse range of occupations and industries in recent months. This has occurred in the context of Australia's lowest unemployment rate since the 1970s and the highest labour force participation rate on record.¹ Strong projected employment growth suggests that these shortages are likely to be a feature of the Australian labour market in the years ahead.²

Few studies have explored how industrial relations, training and immigration combine to address skills needs. This report based on a three-year Australian Research Council-funded project addresses this gap. There has been much debate over how to best address Australia's skills and workforce needs, particularly the roles that immigration and training policies should play. Deciding the appropriate balance between these policy areas has been flagged as an issue for discussion at the September 2022 Jobs and Skills Summit, which has called for the creation of an "effective skills and education system that better reflects the needs of the economy and is supported by industry investment in training and a responsive migration system".³ Industrial relations arrangements determining wages and conditions are another relevant factor that need to be considered for assessing how workforce needs should be resolved. These arrangements can affect job quality and thus the attractiveness of jobs to prospective candidates for recruitment or promotion.

This report examines the adequacy of current policy arrangements for addressing Australia's skills and workforce needs. It focuses on trade-based skills produced by the vocational training system. The report focuses on two key industries, construction and hospitality, which have traditionally been reliant on vocational trades skills and which have also been at the centre of debates over the balance between immigration and vocational training policies. While it does not examine managerial and professional skills, parts of the findings and recommendations are relevant to those areas.

The report uses the concept of *skills ecosystems*⁴ to examine the interconnections between industrial relations, vocational training and immigration policies, and how these impact skills supply.⁵ It argues that these three policy areas are currently disconnected in that they do not work together to address skills and workforce needs. An example of this is misalignment between immigration policy on one hand and vocational training and industrial relations policies on the other. The main immigration policy mechanism for addressing skills shortages, the Temporary Skill Shortage (subclass 482) visa, is designed in a way that helps to address individual employers' recruitment difficulties, which may be the result of an employer offering uncompetitive wage rates and unattractive working conditions, rather than skills shortages that are experienced by all employers in the same industry. Furthermore, the design of the Temporary Skill Shortage visa does not take sufficient regard of industrial relations measures such as job quality, which can affect the responsiveness of labour market supply (i.e., prospective workers) to demand (i.e., employers who need those workers).

The report finds that Australia's ecosystem is underpinned by policies that are designed to efficiently meet the short-term needs of employers but are ill-equipped for addressing the longer-term needs of the labour market. These policies are the consequence of government reforms implemented since the 1990s that have prioritised flexible provision of skills and

¹ Australian Bureau of Statistics, 2022. *6202.0 Labour Force, Australia*. Canberra: Australian Government.

² National Skills Commission, 2021. *Employment Projections*. Available at:

<https://www.nationalskillscommission.gov.au/topics/employment-projections>

³ Treasury, 2022. *Jobs and Skills Summit: Issues Paper*. Canberra: Australian Government, p. 9.

⁴ Buchanan, J., Anderson, P. and Power, G., 2017. Skill ecosystems. In: Warhurst, C., Finegold, D., Buchanan, J. and Mayhew, K., eds, *The Oxford Handbook of Skills and Training*. Oxford: Oxford University Press, pp. 444-464; Finegold, D., 1999. Creating self-sustaining, high-skill ecosystems. *Oxford Review of Economic Policy*, 15(1): 60-81.

⁵ Oliver, D. and Wright, C.F., 2016 Australia's shifting skills ecosystem: Contemporary challenges in education, training and immigration. In: Hancock, K. and Lansbury, R., eds, *Industrial Relations Reform: Looking to the Future*. Sydney: Federation Press, pp. 163-186.

labour supply through ‘marketised’ training policies, ‘demand-driven’ immigration policies and industrial relations arrangements that have undermined workforce development and retention. Despite giving employers several different policy avenues for addressing their recruitment challenges, these arrangements have undermined the sustainability of skills ecosystems for addressing longer-term labour market needs. This has made industries vulnerable to the disruptive effects of COVID and supply chain crises when certain avenues of skills and labour supply, notable via immigration policy, have been less available.

A central argument of this report is that strengthening *coordination* between industrial relations, vocational training and immigration policies would help to ensure that skills and workforce needs are addressed more reliably. International research demonstrates coordination is necessary to ensure that skills are developed and utilised in a sustainable manner.⁶ Coordination is defined as the key components of a system (in this case: industrial relations, vocational training and immigration policies) and its stakeholders (in this case: employers, workers and their representatives) functioning in a complementary manner towards coherent goals. Coordination allows outcomes at the workplace level to be linked clearly to regional, industry and national goals.⁷

The report recommends various ways these stakeholders, particularly employer associations and trade unions, can work together to jointly identify the skills needs of the industries they represent and develop effective strategies to address them. These recommendations focus on how coordination of skills supply can be improved, particularly through sector-wide collective bargaining between employer associations and trade unions. Sector-wide bargaining has been an important way for coordinating the skills ecosystems of countries such as Denmark, which is internationally renowned for having institutions that develop and utilise workforce skills to strengthen industry productivity and competitiveness. As Professor Mark Stuart, a leading international expert on skills, argues:

Comparative evidence has consistently highlighted that those economies with strong coordinated relations and institutions between the social actors concerning skills tend to outperform those that have less of a tradition of social partnership or where employers have prime responsibility for training investment decisions.⁸

The report argues it is in Australia’s interest to move towards a coordinated ‘mutual gains’ approach to skills and workforce development, underpinned by sector-wide bargaining. This would help to improve the internationally competitiveness of Australia’s industries and workforce. The cooperation between unions and employer associations at the beginning of the COVID pandemic indicates that a mutual gains approach is possible.⁹ Furthermore, the report argues immigration policy arrangements that create inequities between migrant workers particularly those on temporary visas on one hand and permanent residents on the other need reform. While these policies may be efficient for employers in the short-term, they have made temporary migrant workers vulnerable to mistreatment and discouraged skills development and job quality improvement.

⁶ Haipeter, T. and Lehdorff, S., 2009. *Collective Bargaining on Employment*. Geneva: International Labour Organization.

⁷ Soskice, D., 1990. Wage determination: the changing role of institutions in advanced industrialized countries. *Oxford Review of Economic Policy*, 6(4): 36-61.

⁸ Stuart, M., 2019. The industrial relations of training and development. In: Guile, D. and Unwin, L., eds, *Wiley Handbook of Vocational Education and Training*. Hoboken: Wiley, pp. 165-185.

⁹ Clibborn, S., 2021. Australian industrial relations in 2020: COVID-19, crisis and opportunity. *Journal of Industrial Relations*, 63(3): 291-302.

The report is structured as follows.

- Chapter 2 outlines the research design and methods underpinning the analysis.
- Chapter 3 examines current industrial relations, vocational training and immigration policy settings and the extent to which these different components of the national skills ecosystem effectively address workforce needs effectively.
- Chapters 4 and 5 analyse the efficacy of industry skills ecosystems in addressing the workforce needs in hospitality and construction respectively.
- Chapter 6 presents the main conclusions and recommendations for policy reform.

2. Research design

The skills ecosystems of the construction and hospitality industries are the main focus of this report. These industries have been chosen because they have traditionally been a key focus of the vocational training system in its aims to supply trades skills. However, in recent years, they have been amongst the largest employers of workers on the Temporary Skill Shortage visa and other temporary visa schemes. Analysing the dynamics of the skills ecosystems of these industries can therefore allow for an understanding of the roles that industrial relations, vocational training and immigration policy have played in addressing skills and workforce needs, and the strengths and weaknesses of existing arrangements. The dynamics of these industries are contextualised within the wider dynamics of Australia's labour market and institutions to develop findings and recommendations to inform future policy development.

The report draws upon three main sources of data to develop its findings and recommendations. First, the report reviews academic research on the role and adequacy of various policy areas in addressing skills needs. Second, it utilises various statistical sources to assess trends relating to the various components of Australia's skills ecosystem, namely industrial relations indicators, training outcomes and migrant labour intakes. Third, it draws on interviews conducted with 60 industry stakeholders, namely employer association and trade union officials. Skills ecosystems consist not only of government policies, but also of employers and employer associations who generate demand for skills, and workers and unions who shape the supply of skills. The insights of employer associations and unions are therefore important for understanding the roles of industrial relations, vocational training and immigration in the skills ecosystem.¹⁰

Of the 60 interviews, 21 were conducted with key informants in construction, 15 in hospitality and 24 representatives of peak associations and organisations with expertise of skills ecosystems. A total of 42 employer association officials and 18 trade union officials across every Australian state and territory were interviewed. All interviews were conducted between 2019 and 2021, with most lasting between 30 and 60 minutes. Respondents were asked questions about skills supply and demand in the industry or region they represent, the extent of regional and cyclical variation and the main factors influencing how skills needs are addressed. There were also questions about how various sources of skills made available via different policies are utilised, such as vocational training, immigration and industrial relations arrangements that shape job quality and thus labour supply and demand.

¹⁰ Busemeyer, M.R. and Trampusch, C., 2019. The politics of vocational training. In: Guile, D. and Unwin, L., eds, *The Wiley Handbook of Vocational Education and Training*. New York: Wiley Blackwell, pp. 137-164; Caviedes, A.A., 2010. *Prying Open Fortress Europe: The Turn to Sectoral Labor Migration*. Lanham: Lexington.

3. Context

This chapter outlines the key components of Australia's skills ecosystem and their roles in addressing current and future workforce needs. This provides context for the analysis of the skills ecosystems of two key industries reliant upon vocational trades skills, hospitality and construction, which will be presented in Chapters 4 and 5.

3.1 Industrial relations

Australia's current industrial relations arrangements do not encourage employers and workers to work together to identify and address their skills and workforce needs. This is reflected in the prevalence of insecure work arrangements that discourage employee retention and employer investment in job quality, and institutions that have fostered hostility rather than cooperation between employers and unions. It is further reflected in the design of the enterprise bargaining system, which actively undermines attempts to coordinate skills and workforce development mechanisms on a sector-wide basis.

A useful distinction can be made between countries with strong coordination over training on one hand and weak coordination on the other. Countries with sophisticated systems of skills development tend to fit in the first of these categories. In Denmark, Norway and Germany, coordinated training is an integral part of their collective bargaining frameworks and a key mechanism for achieving 'mutual gains' outcomes that benefit both industry and the workforce.¹¹ In the Danish system, coordinated bargaining has been used to expand training provision comprehensively across the workforce. Employer associations and unions have established national and sector-wide agreements over training policy, which ensures that all employers 'buy in' to the system and reduces the scope for poaching. Through enterprise-level agreements, training leave provisions and the linking of wages to training gives workers an incentive to acquire new skills, which in turn benefits business by spurring innovation and productivity. Coordinated training has been a key factor enabling Danish industry to adapt successfully to external pressures and improve its international competitiveness.¹² When skills development is embedded in industrial relations arrangements via coordinated bargaining, like in Denmark, "training presents an opportunity to develop new integrative agendas around which unions and employers can cooperate and work in partnership", according to Stuart.¹³ Furthermore, a benefit of sector-wide bargaining is to reduce the risks of poaching that deters employer investment. This stands in contrast with the collective action problems that typically arise in countries that rely on enterprise-level bargaining.¹⁴

Countries with weak industry coordination over workforce development tend to make individual employers responsible for their own training arrangements and exclude discussion of such issues from collective bargaining. These arrangements produce a collective action problem: when training is left to individual employers, rather than being coordinated on a sector-wide basis, an employer will be less inclined to invest in training. This is due to concerns that other employers may poach the first employer's skilled employees by offering these workers higher wages before the costs of their training investment can be recovered. This situation encourages firms to "buy" skills through poaching rather than "make" through training, thus producing a "chronic undersupply of skilled labour".¹⁵ Where training does occur, it tends

¹¹ Heyes, J., 2007. Training, social dialogue and collective bargaining in Western Europe. *Economic and Industrial Democracy*, 28(2): 239-258.

¹² Ibsen, C.L. and Thelen, K., 2017. Diverging solidarity: Labor strategies in the new knowledge economy. *World Politics*, 69(3): 409-447; McLaughlin, C., 2009. The productivity-enhancing impacts of the minimum wage: Lessons from Denmark and New Zealand. *British Journal of Industrial Relations*, 47(2): 327-348.

¹³ Stuart, M., 2019. The industrial relations of training and development. In: Guile, D. and Unwin, L., eds, *Wiley Handbook of Vocational Education and Training*. Hoboken: Wiley, p. 170.

¹⁴ Streeck, W., 1989. Skills and the limits of neo-liberalism: The enterprise of the future as a place of learning. *Work, Employment and Society*, 3(1): 89-104.

¹⁵ Streeck, W., 1989. Skills and the limits of neo-liberalism: The enterprise of the future as a place of learning. *Work, Employment and Society*, 3(1): 94.

to be “increasingly narrow, firm-specific skills training. The pool of skilled labour with transferable skills is therefore likely to diminish over time: enterprise flexibility creates industry-level rigidities inhibiting the capacity of the industry to adjust to volatility”.¹⁶ Consequently, skills development and utilisation outcomes in countries with weak coordination tend to be poorer.¹⁷

Australia’s fits into the latter group of countries,¹⁸ as reflected in the design of its demand-driven training system and the enterprise-based nature of its collective bargaining system.¹⁹ While most recently certified enterprise agreements contain provisions relating to general training arrangements,²⁰ substantive clauses that provide enforceable access to training leave or that link training completion to wage increases to encourage skills development and productivity improvements are rare.²¹ Training provisions in enterprise agreements relate mainly to the acquisition of skills and capabilities specific to the enterprise that are not easily transferable.²² Furthermore, it has been argued that the enterprise bargaining process encourages employees and employers to make:

*“Wage-based trade-offs on skills, training and other employment issues... Discussion about job classifications and what training or qualifications are needed to perform job roles – the type of discussion that had been central to award restructuring in the 1980s – is disappearing from enterprise bargaining”.*²³

Changes in employment structures have also discouraged training. The proportion of the workforce engaged as contractors, casuals or via intermediaries such as labour hire firms and online platforms is relatively high in Australia.²⁴ While non-permanent employment arrangements allow employees to move more freely between jobs, and employers to hire and fire workers with fewer legal constraints, non-permanent workers are significantly less likely to receive structured training than those who are employed permanently. This is because employers are much less likely to invest in developing the skills and capabilities of workers whose future within the organisation is less certain. The relatively high rate of non-permanent employment has also eroded ‘internal’ labour markets enabling employees to progress their careers within an organisation and made employers more reliant on addressing their workforce needs by poaching workers from their competitors.²⁵

¹⁶ Briggs, C., Buchanan, J. and Watson, I.R., 2006. *Wages Policy in an Era of Deepening Wage Inequality*. Canberra: Academy of the Social Sciences in Australia, p. 13.

¹⁷ Finegold, D. and Soskice, D., 1988. The failure of training in Britain: analysis and prescription. *Oxford Review of Economic Policy*, 4(3): 21-53.

¹⁸ Busemeyer, M.R. and Trampusch, C., 2019. The politics of vocational training. In: Guile, D. and Unwin, L., eds, *The Wiley Handbook of Vocational Education and Training*. New York: Wiley Blackwell, pp. 137-164; Wright, C.F., 2012. Immigration policy and market institutions in liberal market economies. *Industrial Relations Journal*, 43(2): 110-136.

¹⁹ Briggs, C., Buchanan, J. and Watson, I.R., 2006. *Wages Policy in an Era of Deepening Wage Inequality*. Canberra: Academy of the Social Sciences in Australia.

²⁰ Furlong, M., 2021. *General Manager’s Report into Developments in Making Enterprise Agreements under the Fair Work Act 2009 (Cth): 2018–2021*. Melbourne: Fair Work Commission.

²¹ Howe, J., Clibborn, S., Reilly, A., van den Broek, D. and Wright, C.F., 2019. *Towards a Durable Future: Tackling Labour Challenges in the Australian Horticulture Industry*. Adelaide: University of Adelaide; Oliver, D. and Walpole, K., 2015. Missing links: connections between qualifications and job roles in awards. *Labour and Industry*, 25(2): 100-117.

²² Sheldon, P. and Thornthwaite, L., 2005. Employability skills and vocational education and training policy in Australia: An analysis of employer association agendas. *Asia Pacific Journal of Human Resources*, 43(3): 404-425.

²³ Oliver, D. and Wright, C.F., 2016 Australia’s shifting skills ecosystem: Contemporary challenges in education, training and immigration. In: Hancock, K. and Lansbury, R., eds, *Industrial Relations Reform: Looking to the Future*. Sydney: Federation Press, pp. 166, 171.

²⁴ Campbell, I., Macdonald, F. and Charlesworth, S., 2019. On-demand work in Australia. In: O’Sullivan, M., Lavelle, J., McMahon, J., Ryan, L., Murphy, C., Turner, T. and Gunnigle, P., eds, *Zero-Hours and On-Call Work in Anglo-Saxon Countries*. Berlin, Springer, pp. 67-90.

²⁵ Lewis, P., 2008. *The Labour Market, Skills Demand and Skills Formation*. Canberra: Academy of the Social Sciences in Australia.

Outsourcing has also eroded training. Large private and public sector organisations historically played an important role in directly providing skills by engaging large numbers of apprentices and trainees who subsequently moved across industries and to smaller private sector employers. However, widespread rationalisation of organisational structures through outsourcing, and engaging contractors to perform work once performed internally, have eroded the mechanisms within large organisations that once supported training and career progression.²⁶

Low wages growth is another industrial relations factor that has affected the ability of employers in some industries to address their skills and workforce needs. While wage growth has been sluggish in many industries, particularly those with monopsonic competition,²⁷ it has been most pronounced in industries with low levels of enterprise agreement coverage and a prevalence of workers engaged via non-permanent employment arrangements.²⁸ These industries have typically struggled to retain workers enticed to higher-paid and more secure jobs in other industries. This has further compounded the challenges that certain industries face in addressing their skills and workforce needs.

Aside from changes in industrial relations policies, procedural changes have also impacted skills development. Employer associations and trade unions traditionally had significant oversight over skills supply via joint representation on skills councils, training boards and immigration advisory bodies. However, in recent years, governments in some states and at the Commonwealth level have removed union representation from these bodies or abolished them altogether. This has resulted in diminished consideration of the needs and interests of the workforce in training policy. Such moves, which have largely been ideologically motivated,²⁹ conflict with the findings of international research that joint input from both employer and worker representatives is necessary for the development of sustainable labour market policies.³⁰ In addition to marginalising unions, governments have also failed to consult employers over key policy reforms relating to skills supply, such as the abolition of the 457 visa. Government failure to engage with the representatives of industry and the workforce over skills policy decisions is short-sighted and self-defeating given these are the two most important stakeholders in the skills ecosystem.

3.2 Vocational training

The training system has traditionally been the most important source of vocational trades skills in the Australian labour market. This system has changed profoundly in recent decades due to policy changes that have 'marketised' training by allowing private providers to compete with TAFE colleges for government training funds. According to Philip Toner, one of Australia's leading experts on vocational training:

²⁶ Fortwengel, J., Gospel, H. and Toner, P., 2021. Varieties of institutional renewal: the case of apprenticeship in the US, England, and Australia. *Journal of Vocational Education and Training*, 73(1): 71-94; Richardson, S., 2009. What is a skill shortage? *Australian Bulletin of Labour*, 35(1): 326-354.

²⁷ Peetz, D., 2021. Why don't farmers just raise wages to get workers? *Pearls and Irritations*, 5 August. Available at: <https://johnmenadue.com/why-dont-farmers-just-raise-wages-to-get-workers/>.

²⁸ Reserve Bank of Australia, 2017. *Statement on Monetary Policy – November*. Sydney: Reserve Bank of Australia, pp. 40-44.

²⁹ Wright, C.F. and McLaughlin, C., 2021. Trade Union Legitimacy and Legitimation Politics in Australia and New Zealand. *Industrial Relations: A Journal of Economy and Society*, 60(3): 338-369.

³⁰ Campbell, J.L. and Pedersen, O.K., 2014. *The National Origins of Policy Ideas: Knowledge Regimes in the United States, France, Germany, and Denmark*. Princeton: Princeton University Press.

The creation of a 'training market' for publicly funded but privately delivered vocational education and training is one of the most transparent failures of neoliberal public policy over the last three decades. It is an exemplar of the great damage inflicted when a naive and idealised neoliberal conception of how markets work is the basis for public policy.³¹

Toner traces the origins of these problems to reforms in the 1990s that allowed private operators to provide publicly funded training, shifted towards an 'industry-led' system aimed at addressing short-term employer demand, introduced flexible and customised training packages that "facilitated diminished quality and malfeasance among market participants", eroded regulatory oversight over training providers, and resulted in a real decline in spending per student hour.³²

Marketisation has allowed employers more flexibility and control over training content and delivery and helped to address their immediate skills needs more efficiently. However, it has eroded the development of transferable skills and inhibited the ability of the training system to address skills shortages and longer-term workforce needs.³³ Despite having greater autonomy over their training decisions, employers have become more wary about training investment given the risks of poaching.³⁴ A 2020 report found that a higher proportion of employers who found it difficult to source required skills used external recruitment to address their skills needs compared to those who trained their existing workers.³⁵

Trades training completions increased significantly between 1996 and 2014 due to the expansion of the apprenticeship system to encompass traineeships, increased government subsidies for employers and looser training regulations (see Figure 3.1). However, since then there has been a dramatic decline in trades apprenticeship and traineeship completions following the removal of certain traineeship subsidies to prevent misuse by employers and training providers.³⁶ The number of trades apprentices and trainees in training has increased notably over the past two decades, notwithstanding a decline in the early 2010, and have resurged since COVID due to an increase in government funding through the Job Trainer program developed as a stimulus measure in response to COVID, which involved the Australian government and state governments jointly subsidising vocational training places. However, as Figure 3.2 illustrates, when compared to the national workforce, the proportions of trades apprentices and trainees in-training, commencing training and completing training were all lower in 2021 than in 1990 and the proportion of those withdrawing from their training was higher.

³¹ Toner, P., 2018. *How Economics Explains Failure of the Publicly Funded Privately Delivered Training Market*. Melbourne: University of Melbourne, p. 1.

³² Toner, P., 2018. *How Economics Explains Failure of the Publicly Funded Privately Delivered Training Market*. Melbourne: University of Melbourne, p. 1.

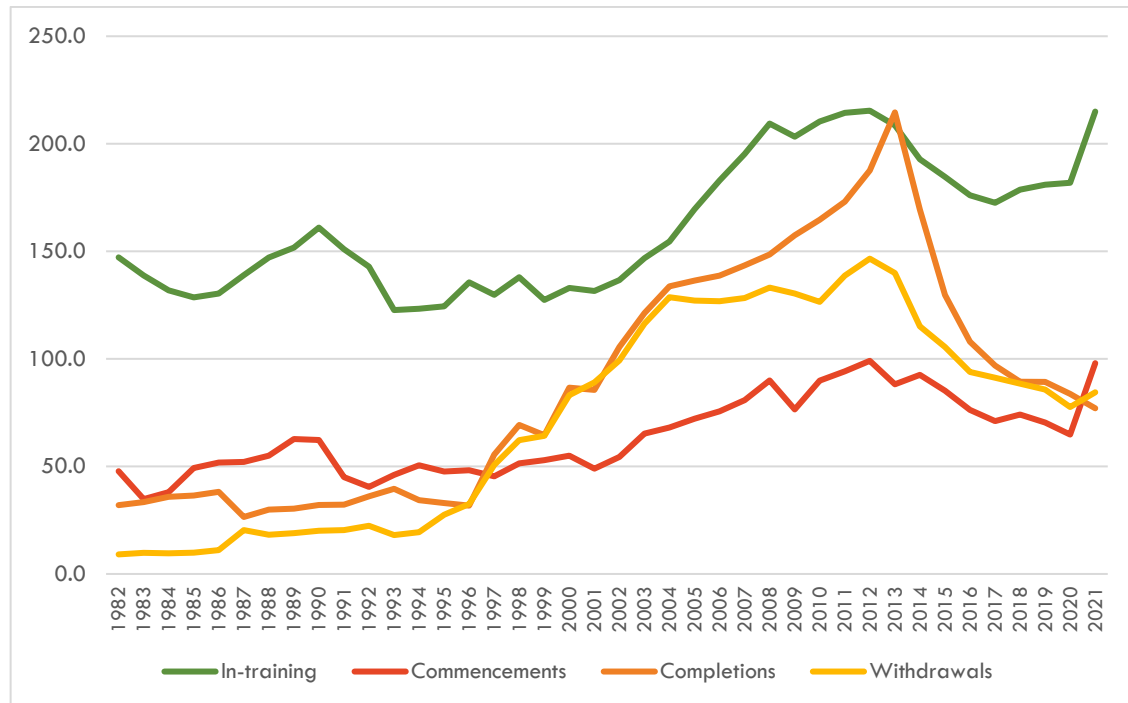
³³ Fortwengel, J., Gospel, H. and Toner, P., 2021. Varieties of institutional renewal: The case of apprenticeship in the US, England, and Australia. *Journal of Vocational Education and Training*, 73(1): 71-94; Yu, S. and Oliver, D., 2015. *The Capture of Public Wealth by the For-Profit VET Sector*. Sydney: University of Sydney.

³⁴ Wright, C.F., 2012. Immigration policy and market institutions in liberal market economies. *Industrial Relations Journal*, 43(2): 110-136.

³⁵ RMIT Online/Deloitte Access Economics, 2021. *Learn, Work, Repeat: The Value of Lifelong Learning in Professional Industries*. <https://online.rmit.edu.au/insights/2020>.

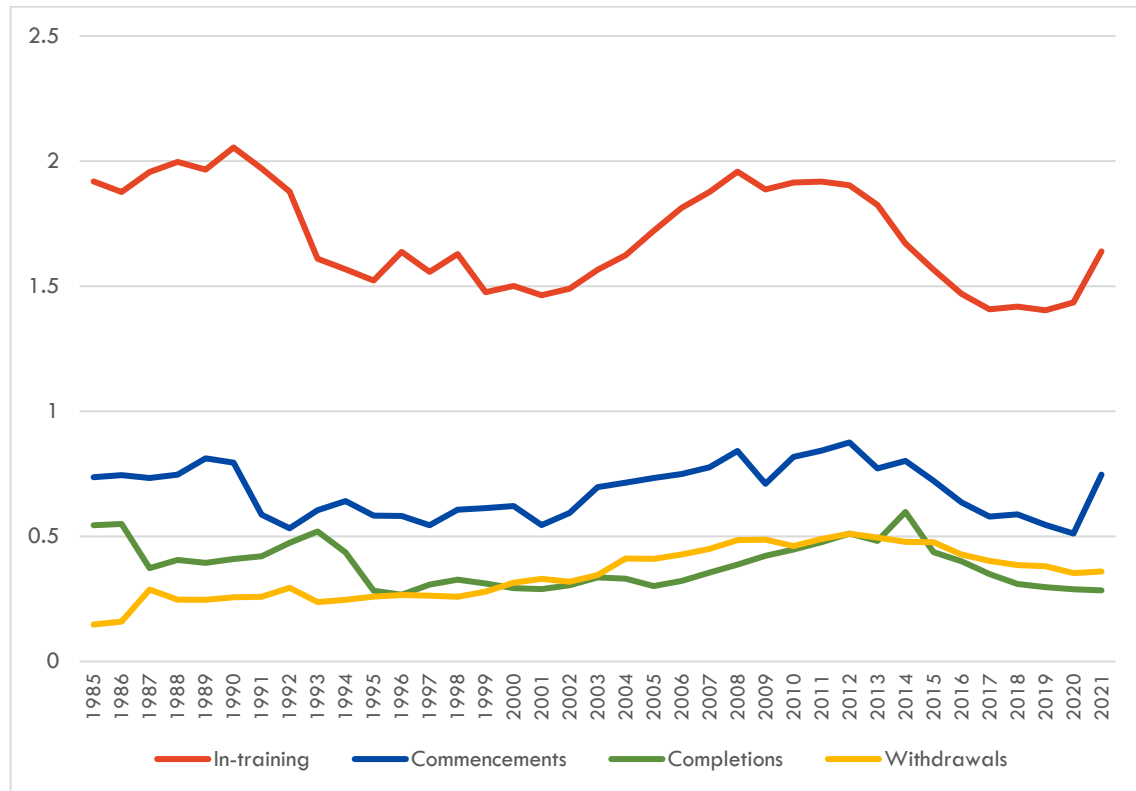
³⁶ Noonan, P. and Pilcher, K., 2017. *Finding the Truth in the Apprenticeships Debate*. Melbourne: Mitchell Institute; Oliver, D. and Wright, C.F., 2016. Australia's shifting skills ecosystem: Contemporary challenges in education, training and immigration. In: Hancock, K. and Lansbury, R., eds, *Industrial Relations Reform: Looking to the Future*. Sydney: Federation Press, pp. 163-186.

Figure 3.1: Training outcomes for trades apprentices and trainees ('000s), all trades, 1985-2021



Source: National Centre for Vocational Education Research, 2022. *Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021*. Adelaide: National Centre for Vocational Research.

Figure 3.2: Trades apprentices and trainees in-training, commencements, completions and withdrawals relative to total national employment (%), all trades, 1985-2021



Note: Author's calculations based on trades apprentice and trainee data and total employment data. Annual employment data was calculated by averaging published quarterly data.
 Source: Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government (employment data); National Centre for Vocational Education Research, 2022. Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021. Adelaide: National Centre for Vocational Research (trades apprentice and trainee data).

Various studies have highlighted declining quality of vocational training quality, particularly among private providers, and diminished “confidence among employers, unions and government in the capacity of the VET system to deliver the necessary quantity and quality of skills”.³⁷ Industry stakeholders interviewed for this report also noted the inefficiencies of processes for adjusting vocational training curricular including to incorporate new skills needed due to technological change and international competition.

The lag in the skills development pipeline was another issue that industry stakeholders cited with the vocational training system. It typically takes three to four years to train an apprentice by which time there may not be a shortage anymore. This highlights the need for a more strategic approach to workforce planning to assess long-term skills and workforce needs and to ensure training pipelines are equipped to address them.

³⁷ Fortwengel, J., Gospel, H. and Toner, P., 2021. Varieties of institutional renewal: the case of apprenticeship in the US, England, and Australia. *Journal of Vocational Education and Training*, 73(1): 87; see also Productivity Commission, 2020. *National Agreement for Skills and Workforce Development Review: Interim Report*. Canberra: Commonwealth of Australia; Toner, P., 2018. *How Economics Explains Failure of the Publicly Funded Privately Delivered Training Market*. Melbourne: University of Melbourne.

The 2019 Joyce Review highlighted the challenges of attracting young people to apprenticeships, particularly due to low training wages, as a key reason why the vocational training system often failed to supply enough skilled trade workers to address industry needs.³⁸ The lack of established pathways from vocational training into employment and the relatively stronger student preferences for university over vocational training were among the barriers identified in a recent Productivity Commission review into improving skills and training participation.³⁹

The challenges of responding to the geographical unevenness of labour markets and the diverse workforce needs of different regions is another shortcoming of the vocational training system. As one industry stakeholder noted, “cities are like a sponge, they just attract everybody”. By contrast, it is “difficult to attract people to regional centres”.⁴⁰ However, other industry stakeholders noted instances where skills shortages in a single region resulted in that occupation being added to national occupational lists for temporary skilled visa sponsorship despite concerns that a national shortage did not exist.

Industry stakeholders identified several solutions to these problems with vocational training. One solution has been for employers to rely on labour hire companies to provide skills or to employ workers on a casual or contract basis. While this may help to address employers’ short-term skills and workforce needs, it leaves long-term workforce development unaddressed. Another seemingly more sustainable solution has been the utilisation of group training organisations to reduce the risks of training investment and administration for small and medium employers. Group training organisations, which are often administered by employer associations, usually employ apprentices directly and lease them to individual employers. A third solution has been to utilise immigration policy, which is the focus of the following section.

3.3 Immigration policies

Prior to the closure of international borders during COVID, immigration policy had become significantly more important for addressing the needs of the Australian labour market. This is evident in the large increase in intakes via the main skilled and work visas in the years between 1996 and 2020 (see Figure 3.3). While workers qualified for managerial and professional roles have accounted for most permanent and temporary skilled visas, these and other visa schemes have channelled large numbers of workers into trades-related occupations.

The increase in skilled and work visa intakes prior to COVID was the result of ‘demand-driven’ reforms aimed at improving the ‘efficiency’ of immigration policy. This efficiency has been achieved by making it easier for employers to recruit migrant workers to address their workforce needs and by introducing and expanding various temporary visa schemes that restrict migrant workers’ access to government support and collective representation, limit their mobility between employers and curtail their pathways to permanent residency and citizenship.⁴¹ While these reforms have benefitted the short-term interests of individual employers, the restrictions imposed on temporary migrant workers have contributed to a rise in reported cases of underpayment and other forms of mistreatment.⁴² Furthermore, some industries have developed a structural reliance on temporary migrant labour and diminished the incentives for employers to invest in training, job quality and workforce development.⁴³

³⁸ Joyce, S., 2019. *Strengthening Skills: Expert Review of Australia’s Vocational Education and Training System*. Canberra: Commonwealth of Australia.

³⁹ Productivity Commission, 2020. *National Agreement for Skills and Workforce Development Review: Interim Report*. Canberra: Commonwealth of Australia.

⁴⁰ Author interview #22.

⁴¹ Clibborn, S. and Wright, C.F., 2022. The efficiencies and inequities of Australia’s temporary labour migration regime. *Australian Economic Review*, 55(2): 254-262.

⁴² Clibborn, S. and Wright, C.F., 2018. Employer theft of temporary migrant workers’ wages in Australia: Why has the state failed to act? *Economic and Labour Relations Review*, 29(2): 207-227.

⁴³ Wright, C.F. and Constantin, A., 2021. Why recruit temporary sponsored skilled migrants? A human capital theory analysis of employer motivations in Australia. *Australian Journal of Management*, 46(1): 151-173.

These developments are the result of policy changes implemented since the 1990s. Prior to this period, an immigration program based almost exclusively on permanent residency granted migrant workers equal rights as Australian citizens and allowed them to move freely within the labour market. This was accompanied by an effective system of labour standards enforcement that protected migrant workers and ensured that employers could not recruit them to minimise their labour costs or to gain an unfair competitive advantage. However, this situation changed following the introduction a temporary skilled visa scheme in 1996 and changes to the international student and working holiday visa programs that encouraged large numbers of temporary visa holders into work including in industries traditionally reliant upon trades skills.⁴⁴

According to the Committee for Economic Development of Australia, temporary skilled visa schemes – the Temporary Skilled Shortage visa and the 457 visa that preceded it – have helped “to fill important skills gaps, with safeguards to prevent the displacement of Australian workers and undermining of pay and conditions”.⁴⁵ Another study found “almost no evidence that outcomes for those born in Australia have been harmed by immigration. If anything, there is some evidence that immigration has a small positive association with outcomes for the Australian-born”.⁴⁶

However, there is reason to suspect that temporary visa policies that restrict migrant workers' mobility and access to government support, collective representation and permanent residency, which increases their reliance upon maintaining the relationship with their employer, may have encouraged some employers to favour immigration to address their workforce needs rather than investing in training and improving job quality. Single-employer sponsorship underpins the design of the temporary skilled visa scheme. The scheme allows an employer to sponsor a migrant worker to work in a managerial, professional or trades occupation, but only for that employer. If the employment relationship is terminated, the worker has 60 days to find another employer sponsor before they lose their residency rights. This arrangement benefits employers who can use temporary skilled visas to address their skills needs with minimal risk that the sponsored worker will leave. This gives employers a degree of control over temporary skilled migrants that they do not have over other workers.⁴⁷ By contrast, there are often risks for an employer training non-sponsored workers if the worker leaves the employment relationship before the employer can recover the costs of their training investment. It is important to note that visa sponsorship involves considerable costs for employers. Tying sponsored workers to their employer to ensure the employer can recoup sponsorship costs has been cited to justify the single-employer sponsorship model that limits the ability of workers to leave their employer.⁴⁸ However, this arrangement can make temporary skilled migrants more vulnerable to underpayment and mistreatment.⁴⁹

⁴⁴ Wright, C.F. and Clibborn, S., 2020. A guest-worker state? The declining power and agency of migrant labour in Australia. *Economic and Labour Relations Review*, 31(1): 34-58.

⁴⁵ Committee for Economic Development of Australia, 2019. *Effects of Temporary Migration: Shaping Australia's Society and Economy*. Melbourne: Committee for Economic Development of Australia, p. 12.

⁴⁶ Breunig, R., Deutscher, N., and To, H.T., 2017. The relationship between immigration to Australia and the labour market outcomes of Australian-born workers. *Economic Record*, 93(301): 255-276.

⁴⁷ Wright, C.F., Groutis, D. and Van Den Broek, D., 2017. Employer-sponsored temporary labour migration schemes in Australia, Canada and Sweden: Enhancing efficiency, compromising fairness? *Journal of Ethnic and Migration Studies*, 43(11): 1854-1872.

⁴⁸ Ruhs, M., 2013. *The Price of Rights: Regulating International Labor Migration*. Princeton: Princeton University Press.

⁴⁹ Boucher, A., 2019. Measuring migrant worker rights violations in practice: The example of temporary skilled visas in Australia. *Journal of Industrial Relations*, 61(2): 277-301; Coates, B., Sherrell, H., and Mackey, W. 2022, *Fixing Temporary Skilled Migration: A Better Deal for Australia*. Melbourne: Grattan Institute.

Furthermore, the single-employer sponsorship model can also result in employers developing preferences for temporary skilled visa holders over other groups of workers. An analysis of the reasons for why employers sponsor temporary skilled visas found that while many did so to address shortfalls of suitably qualified workers, in accordance with the scheme's objective, large proportions of employers in industries reliant on skilled trades workers – including hospitality and construction – used the scheme to recruit workers perceived as having certain 'behavioural traits'. These 'behavioural traits' related to the perceptions of employer sponsors that temporary skilled visa holders had better attitudes, stronger work ethics, and were more loyal and harder working than other groups of workers. The single-employer sponsored nature of the temporary skilled visa scheme was identified as a reason for these perceptions.⁵⁰

Addressing skills shortages is the main objective of the temporary skilled visa scheme. However, as noted in Chapter 1, the design of the scheme allows employers to sponsor temporary skilled migrants to address their recruitment difficulties, which may not necessarily be skills shortages. Labour economists generally define skills shortages as market-wide shortages of workers at the prevailing wage rate that cannot be addressed by attempts to stimulate supply, e.g., by raising wages or improving job quality.⁵¹ Recruitment difficulties are when an individual employer struggles to attract workers because of circumstances within their control, for instance, by offering uncompetitive wages and conditions associated with poor job quality.⁵² Only 1% of surveyed employer sponsors of temporary skilled visa holders indicated they would increase wages to address their workforce needs, which suggests that they used the scheme to address recruitment difficulties rather than skills shortages. Even in situations where skills shortages did exist, low employer disinclination to raise wages in response indicates these were unlikely to have been pronounced shortages.⁵³

Immigration policy is an important mechanism for addressing short-term workforce needs, namely unanticipated shortages that cannot be addressed due to the inevitable lag in the training pipeline. However, governments have focused too much on maximising the efficiency of immigration policy, which has been achieved through regulations that restrict temporary migrant workers' mobility, support and representative, which make temporary migrants vulnerable to underpayment and mistreatment.⁵⁴ These regulations have resulted in some employers developing embedded preferences for using temporary visa schemes to address their workforce needs rather than investing in training and improving job quality to attract and retain workers. These problems highlight the need to improve coordination between industrial relations, training and immigration policies to ensure they complement rather than undermine one another. This is further illustrated in the following two chapters, which explore the dynamics of skills ecosystems in the hospitality and construction industries.

⁵⁰ Wright, C.F. and Constantin, A., 2021. Why recruit temporary sponsored skilled migrants? A human capital theory analysis of employer motivations in Australia. *Australian Journal of Management*, 46(1): 151-173.

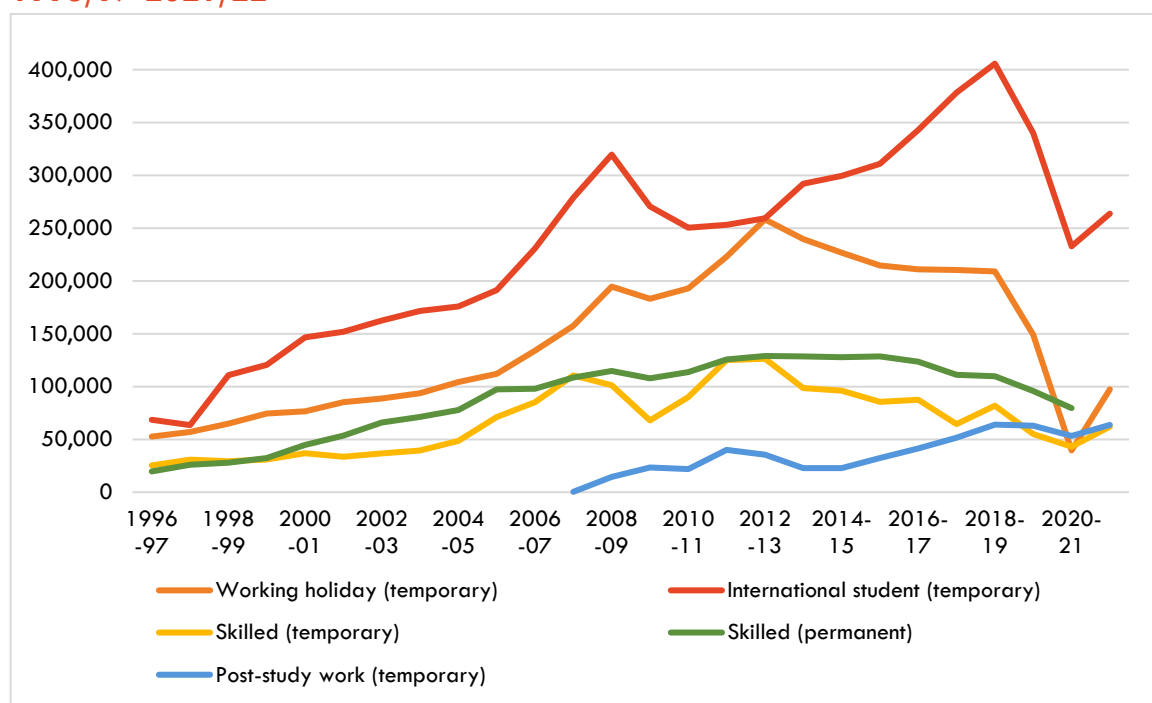
⁵¹ Healy, J., Mavromaras, K. and Sloane, P.J., 2015. Adjusting to skill shortages in Australian SMEs. *Applied Economics*, 47(24): 2470-2487; Junankar, P.N., 2009. *Was there a Skills Shortage in Australia?* Bonn: Institute for the Study of Labor.

⁵² Richardson, S., 2009. What is a skill shortage? *Australian Bulletin of Labour*, 35(1): 326-354.

⁵³ Wright, C.F. and Constantin, A., 2021. Why recruit temporary sponsored skilled migrants? A human capital theory analysis of employer motivations in Australia. *Australian Journal of Management*, 46(1): 151-173.

⁵⁴ Clibborn, S. and Wright, C.F., 2022. The efficiencies and inequities of Australia's temporary labour migration regime. *Australian Economic Review*. 55(2): 254-262; Coates, B., Sherrill, H., and Mackey, W. 2022, *Fixing Temporary Skilled Migration: A Better Deal for Australia*. Melbourne: Grattan Institute.

Figure 3.3: Annual immigration intakes, main visas with work rights, 1996/97-2021/22



Note: 2021-22 skilled permanent visas statistics were not available at time of publication.

Source: Department of Home Affairs, various sources.

3.4 Summary

The research reviewed in this chapter indicates that there are disparities in the design of industrial relations, training and immigration policies. While these mechanisms are all vital components of Australia’s skills ecosystem with each having playing important roles in addressing current and future workforce needs, they need to be recalibrated to ensure they work together more effectively.

- Prior to COVID, the various components of Australia’s skills ecosystem – industrial relations, training and immigration policy – were generally efficient at addressing employers’ short-term workforce needs. However, the impact of international border closures and recent supply chain disruptions have highlighted that these arrangements have not always benefitted the workforce nor the longer-term needs of the labour market by not giving sufficient priority to developing future skills needs.
- International research indicates that collective bargaining is an important mechanism for enabling employer and worker representatives to jointly assess and develop solutions in response to both immediate and longer-term skills needs.
- In Australia, the enterprise bargaining system has not promoted such attention to skills and workforce development. Bargaining over skills would be more productive and mutually beneficial if it occurred in a coordinated manner on a sector-wide basis, which would also help to reduce the risks and collective action problems that commonly occur when employers make training investment decisions on an enterprise-by-enterprise basis.
- The prevalence of non-permanent and low-quality employment in some industries has undermined skills development since casual, contract and contingent workers are much less likely to receive training.

- The marketisation of the training system has given employers more flexibility and control over their training decisions, which has allowed them to address short-term needs more efficiently but produced various unintended consequences. Despite numerical increases in trades training enrolments and completions, trades training enrolments and completions relative to the overall workforce have declined. Collective action problems such as poaching, which make employers more wary about training investment, have been exacerbated. Confidence among industry stakeholders in the capacity of the training system to develop enough skills of sufficient quality has diminished.
- Immigration policy has been disproportionately attuned to addressing employers' immediate workforce needs and insufficiently attentive to ensuring that employers do not gain an unfair advantage in utilising migrant labour. Barriers to temporary migrant workers' mobility and their access to government support, collective representation and permanent residency have made them vulnerable to underpayment and mistreatment. This has encouraged unscrupulous employers to address their workforce needs by mistreating temporary migrant workers rather than investing in training and improving job quality.
- Regional areas typically face greater struggles than major metropolitan centres in attracting, retaining and developing skilled workers. The development of localised industrial relations, training and immigration policy arrangements – e.g., via collective bargaining – would help to address this.

4. Hospitality

Employment in the hospitality (or ‘accommodation and food services’) industry has increased by 43% over the past 20 years, from 622,261 in 2001 to 890,084 in 2021.⁵⁵ The average age of workers in the industry is much lower than the national average.⁵⁶ A majority (55%) of the hospitality workforce are women⁵⁷ and the industry was the fifth largest employer of Indigenous Australians in 2018-19.⁵⁸ The gender pay gap between men and women workers in hospitality (11.2%) is slightly narrower than the national gender pay gap (13.8%). Despite many hospitality businesses and workers being heavily impacted by the COVID pandemic, employment in the industry is expected to continue to grow strongly over the next five years.⁵⁹

Lack of access to skilled workers has been a consistent concern for the hospitality industry. While many hospitality jobs are lower-skilled, trades qualifications are required for key roles such as chefs. There have been significant declines in training outcomes across the industry in recent years, as discussed below. However, skilled trades employment as a proportion of overall hospitality employment remained broadly steady between 2001 and 2021 (see Figure 4.1). The high numbers of migrant workers entering the industry is one possible reason for this. However, international border closures in 2020 led to a significant reduction of migrant employment in the industry.

COVID not only impacted hospitality labour supply due to border closures but also labour demand due to public health orders – e.g., lockdowns and social distancing measures – that forced the closure of many hospitality businesses. In this respect, COVID was an extreme incident but not an isolated one; other pandemics (e.g., the Severe Acute Respiratory Syndrome, H1N1 influenza and avian influenza outbreaks), natural disasters (e.g., floods and bushfires) and unforeseen developments (e.g., the September 11 terrorist attacks, the Port Arthur massacre and the collapse of Ansett) have acutely impacted hospitality. This highlights the sensitivity of the industry and its workforce to disruption, which can make forecasting and addressing skills and labour needs challenging.

Seasonal fluctuations in demand present another workforce challenge for hospitality particularly for regional towns and areas whose economies centre on tourism. Hotels, restaurants and cafes in coastal regions often experience surges in customer demand during summer and reductions during winter. This can limit their ability to offer full-time employment year-round and the affect how many workers they employ at any given time. Managing these seasonal peaks and troughs is a problem facing many industries but is pronounced in hospitality. There are also challenges retaining workers in regional areas, including those with higher unemployment, due to the opportunities available in major cities.

Food trades apprenticeship and traineeship enrolments increased in 2021 following the introduction of the Job Trainer subsidy that the Australian Government introduced as a stimulus measure in response to the COVID pandemic and recession. Nevertheless, structural weaknesses in the hospitality skills ecosystem remain. This chapter examines these weaknesses and the underlying causes in detail before proposing several recommendations that could potentially resolve them.

⁵⁵ Australian Bureau of Statistics, 2022. *6202.0 Labour Force, Australia*. Canberra: Australian Government.

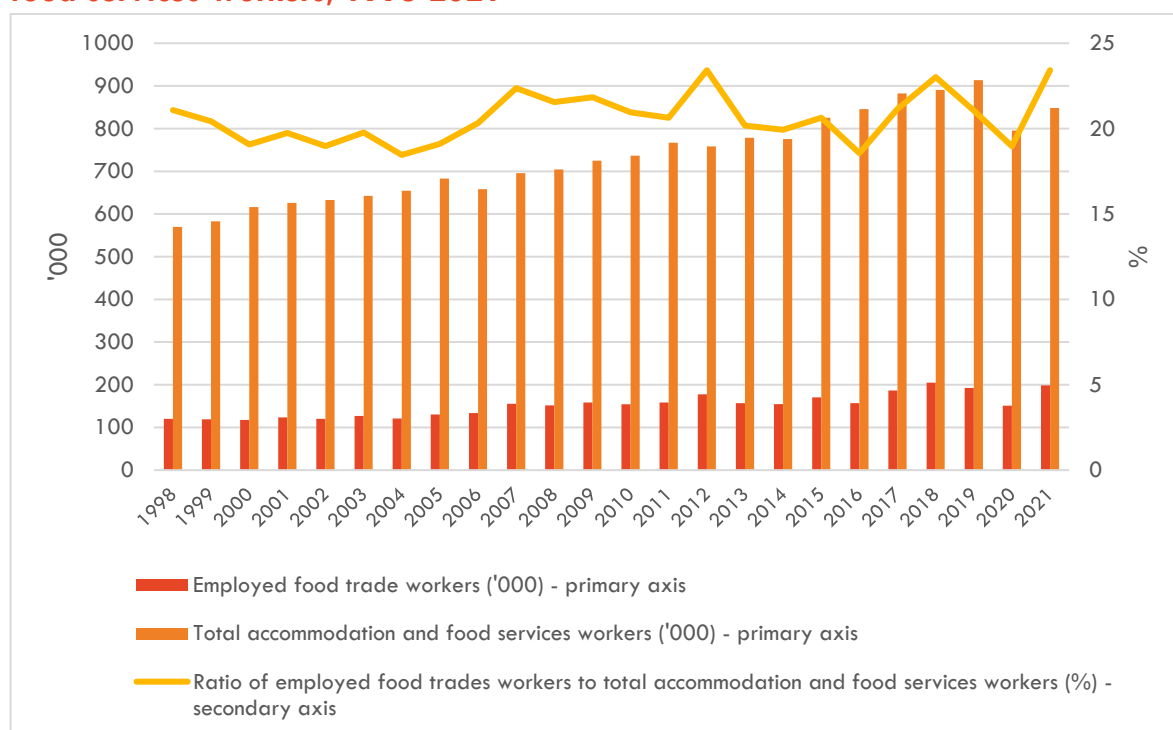
⁵⁶ National Skills Commission, 2022. *Labour Market Insights: Accommodation and Food Services*. Available at: <https://labourmarketinsights.gov.au/industries/industry-details?industryCode=H>.

⁵⁷ Workplace Gender Equality Agency, 2019. *Gender Segregation in Australia's Workforce*. Sydney: Australian Government.

⁵⁸ Australian Institute for Health and Welfare, 2021. *Indigenous Employment*. Available at: <https://www.aihw.gov.au/reports/australias-welfare/indigenous-employment>.

⁵⁹ National Skills Commission, 2021. *Employment Projections*. Available at: <https://www.nationalskillscommission.gov.au/topics/employment-projections>.

Figure 4.1: Employed food trades workers and total accommodation and food services workers, 1998-2021



Note: Author's calculations based on food trades employment data and total accommodation and food services employment data.
 Source: Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government (accommodation and food services employment data); National Centre for Vocational Education Research, 2022. Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021. Adelaide: National Centre for Vocational Research (food trades employment data).

4.1 Industrial relations

Average weekly ordinary time earnings in hospitality are the lowest of any non-farm industry and well below the national all-industries average.⁶⁰ Although jobs with qualification requirements usually command a wage premium,⁶¹ low wages are evident even among higher skilled roles in hospitality. For example, despite the significant training required for workers to qualify as a chef, median earnings for full-time chefs are 21.5% below median earnings for all workers in Australia.⁶²

⁶⁰ Australian Bureau of Statistics, 2022. 6203.0 Average Weekly Earnings, Australia. Canberra: Australian Government; National Skills Commission, 2022. Labour Market Insights: Accommodation and Food Services. Available at: <https://labourmarketinsights.gov.au/industries/industry-details?industryCode=H>.

⁶¹ Birch, E.R. and Preston, A.C., 2021. The evolving wage structure of young adults in Australia: 2001 to 2019. *Economic Record*, 97(318): 365-386.

⁶² National Skills Commission, 2022. Occupation Profile: Chefs. Available at: <https://labourmarketinsights.gov.au/occupation-profile/Chefs?occupationCode=3513>.

Given that unions and collective bargaining are also associated with a wage premium,⁶³ the low levels of union membership and enterprise agreement coverage in hospitality helps to explain why pay in the industry is so low. Only 2% of hospitality workers are union members (compared to 24% in 1990) and 17% have their wages determined by an enterprise agreement.⁶⁴ A greater proportion of workers in hospitality have their wages and conditions determined by an award than in any other industry.⁶⁵

Insecure employment is another factor contributing to low earnings for hospitality workers. In 2016, 65% of hospitality employees were employed as casuals, which was 22% higher than the industry with the next largest share. Furthermore, hospitality accounted for 20% of all casual employees, which was much larger than its 7% share of total employment.⁶⁶ Only 39% of hospitality employees work full-time weekly hours, i.e. 35 hours or more.⁶⁷ According to academic studies, such measures of low pay and insecure employment are evidence of poor job quality, which has contributed to the hospitality industry's workforce recruitment and retention problems.⁶⁸

Many industry stakeholders interviewed for this report acknowledged that the industry's reputation for poor job quality and for not having attractive career pathways deter people from working in hospitality long-term. Several highlighted the long hours that are associated with certain parts of the industry, such as restaurants, and the challenges this presents to attracting workers including those in higher-skilled roles such as chefs. Uncompetitive wage levels and widespread employer non-compliance with the industry's minimum wage regulations are seen as off-putting to workers who might otherwise contemplate a food trades apprenticeship. Poor job quality extends beyond low pay and poor conditions to problems with "industry culture" in the form of bullying and work intensification. Some industry stakeholders claimed this contributes to substance abuse and poor mental health among hospitality managers and workers.

Industry stakeholders cited poor job quality as a reason for the young age profile of hospitality workers. The relatively low qualifications and experience requirements of some lower-skilled hospitality jobs and the working hour patterns that generally span nights and weekends attract school leavers and tertiary education students to the industry. However, many of these workers leave once they graduate from their studies or when they have families. This is not only because of relatively low pay levels in hospitality but also because standard work shifts are too long or scheduled at times that do not accommodate workers' family responsibilities, as a recent academic study found.⁶⁹ Intense and often stressful working environments and the physically demanding nature of hospitality work are other reasons why workers often leave the industry. Several industry stakeholders emphasised the challenge of competing with higher-paid industries with reputations for better job quality.

⁶³ Birch, E.R. and Preston, A.C., 2021. The evolving wage structure of young adults in Australia: 2001 to 2019. *Economic Record*, 97(318): 365-386.

⁶⁴ Peetz, D. and Yu, S., 2017. *Explaining Recent Trends in Enterprise Bargaining*. Melbourne: Fair Work Commission; C.F. and Kaine, S., 2021. Employment relations in Australia. In: Bamber, G., Cooke, F.L., Doellgast, V. and Wright, C.F., eds, *International and Comparative Employment Relations: Global Crises and Institutional Responses*, 7th edition. London: SAGE, pp. 105-130.

⁶⁵ Jimenez, C. and Rozenbes, D., 2017. *Award-Reliant Workers in the Household Income Distribution*. Melbourne: Fair Work Commission.

⁶⁶ Gilfillan, G., 2018. *Characteristics and Use of Casual Employees in Australia*. Canberra: Parliament of Australia.

⁶⁷ National Skills Commission, 2022. *Labour Market Insights: Accommodation and Food Services*. Available at: <https://labourmarketinsights.gov.au/industries/industry-details?industryCode=H>.

⁶⁸ Belardi, S., Knox, A., and Wright, C.F., 2021. Too hot to handle? An analysis of chefs' job quality in Australian restaurants. *Journal of Industrial Relations*, 63(1): 3-26.

⁶⁹ Belardi, S., Knox, A., and Wright, C.F., 2021b. 'The circle of life': The role of life course in understanding job quality. *Economic and Industrial Democracy*, <https://doi.org/10.1177%2F0143831X211061185>.

Popular culture and media attention have “glamourised” the hospitality industry, particularly restaurants. Television cooking shows like *MasterChef* and *My Kitchen Rules* have attracted people who might not have otherwise contemplated working in hospitality. Arguably, these shows do not prepare workers for the less glamorous reality of menial kitchen tasks associated with food preparation and intensified work environments during service periods. However, several industry stakeholders claim that hospitality has failed to live up to the opportunity that popular culture has provided to the industry. Instead of spurring employers to improve job quality and make the nature of kitchen work more engaging, they have relied upon tropes such as the need for workers to be motivated by their “passion” for cooking rather than pay and conditions. Some industry stakeholders cited this factor as a reason why many workers attracted to hospitality have not stayed in the industry, which has further compounded the challenges of meeting its workforce needs.

4.2 Vocational training

Despite strong recent hospitality employment growth, there has been a significant deterioration of vocational training in the industry (see Figure 4.2). In 2020, the numbers of food trades apprentices and trainees in training and commencing training were at the lowest levels since 1984 when employment in the industry was much lower. Between 2014 and 2020, food trades apprenticeships and traineeships declined by 57%.⁷⁰ Food trades apprenticeship and traineeship commencements and completions relative to both food trades employment and total hospitality employment were relatively steady from the late 1990s until the mid-2010s. Since 2014, there have been sharp declines in both commencement and the completion rates (see Figure 4.3). However, the 2020-21 Job Trainer scheme boosted training enrolments in the food trades.

Industry stakeholders cited various reasons for declining training outcomes prior to COVID. The prevalence of small businesses with limited capacity to take on apprentices and trainees was one reason. The risks of larger businesses able to offer better wages and opportunities poaching apprentices and trainees was another factor that has made smaller businesses reluctant to invest in training. In the words of one industry stakeholder, “because there is that lack of certainty, employers are reticent about investing in traineeships and apprenticeships”.⁷¹ Another industry representative described poaching as “rife” and contributing to “enormous churn” of labour in the industry.⁷² Group training schemes have been developed in some parts of the industry to reduce these risks.

Low apprenticeship wages were another factor seen as deterring workers from commencing or completing food trades training. The relatively low earnings potential for qualified food trades workers compounded this. According to an industry representative who had worked as a qualified chef:

“You do start off on very low wages. It’s really hard to support yourself... Other trades people know when they are qualified and move on their earning potential is going to be much higher, like in plumbing and construction. But in hospitality, your earning potential isn’t that incredible. There’s the idea that it’s not necessarily worth it”.⁷³

⁷⁰ National Centre for Vocational Education Research, 2022. *Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021*. Adelaide: National Centre for Vocational Research.

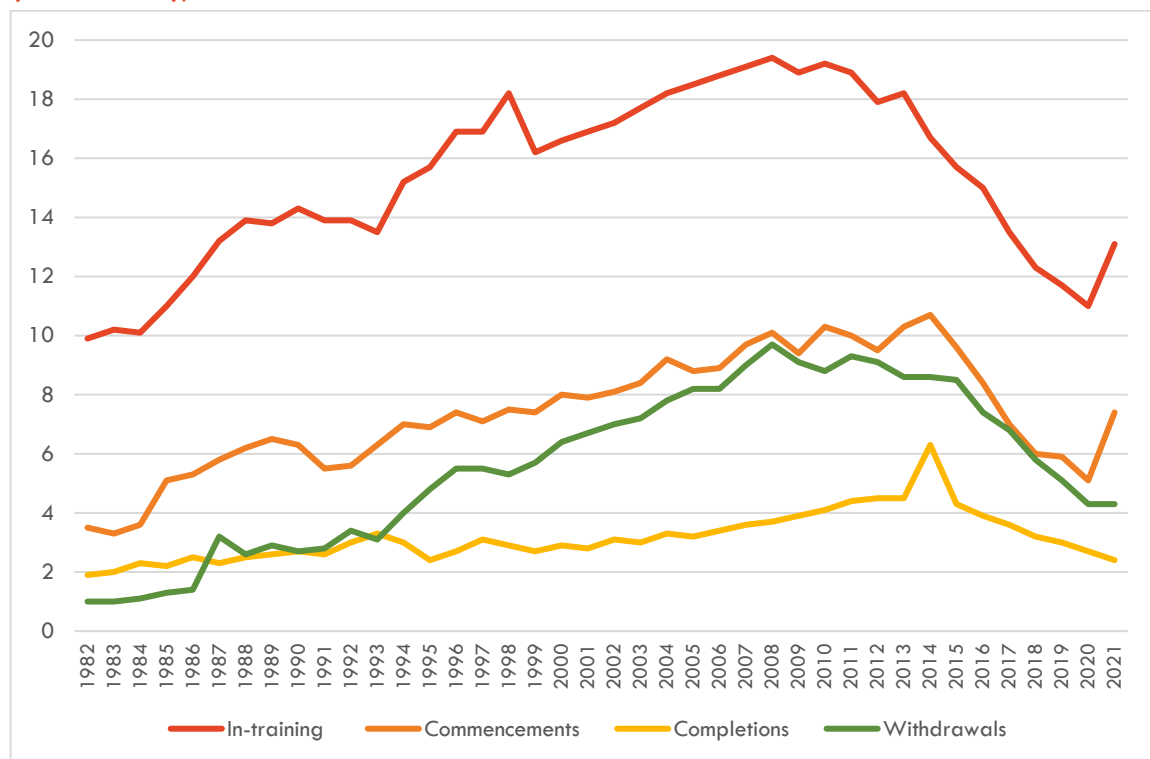
⁷¹ Author interview #59.

⁷² Author interview #8.

⁷³ Author interview #32.

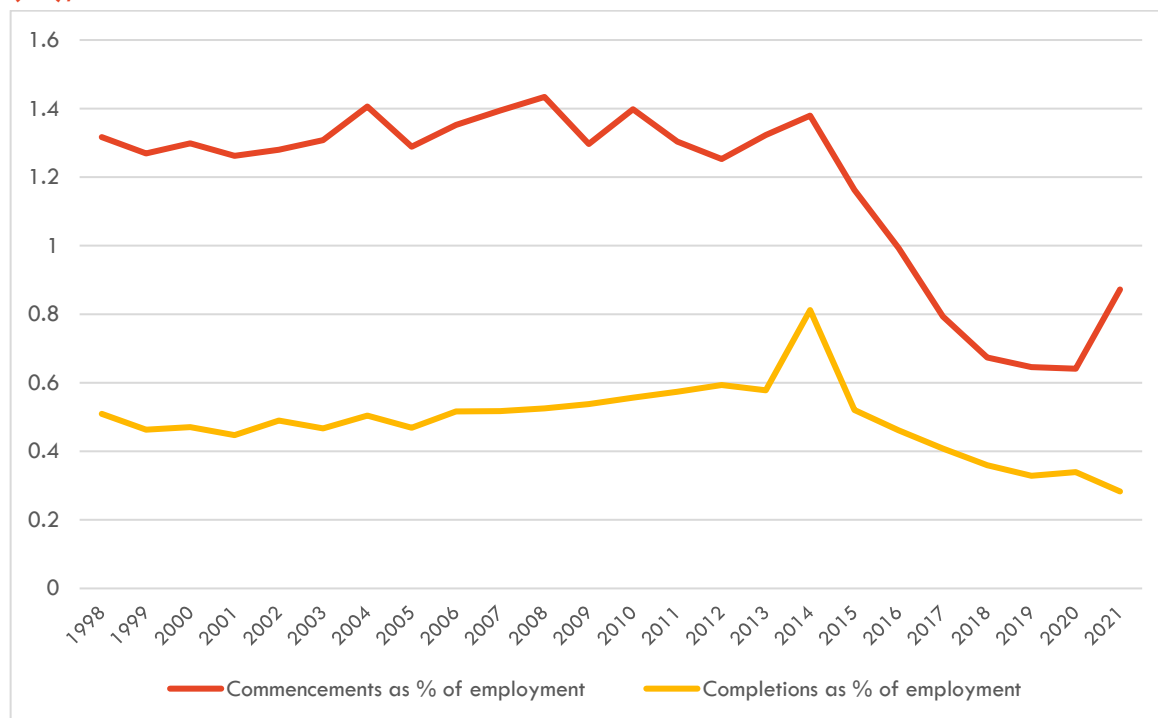
Problems with vocational training providers was another factor mentioned for declining training outcomes. Industry stakeholders claimed that government reforms in some states have weakened the pathways for prospective students into vocational training and diminished the quality of training provision. Other respondents highlighted the variation in training quality as a problem that affected the reliability of food trade skills being supplied via the vocational education system. While there is general – if not universal – satisfaction in the training provided by TAFE and major private training colleges, some of the smaller private registered training organisations were seen as less reputable. Problems with the content of training packages and the courses offered by training providers and barriers to ensuring that the vocational training curriculum is regularly updated to remain relevant were also cited.

Figure 4.2: Training outcomes for food trades apprentices and trainees (thousands), 1982-2021



Source: National Centre for Vocational Education Research, 2022. Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021. Adelaide: National Centre for Vocational Research.

Figure 4.3: Food trades apprenticeship and traineeship commencements and completions relative to total accommodation and food services employment (%), 1998-2021



Note: Author's calculations based on food trades apprentice and trainee data and accommodation and food services employment data. Annual accommodation and food services employment data was calculated by averaging published quarterly data.

Source: Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government (accommodation and food services employment data); National Centre for Vocational Education Research, 2022. Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021. Adelaide: National Centre for Vocational Research (food trades apprentice and trainee data).

4.3 Migrant workers

There is an inherent need for migrant labour in hospitality. Industry stakeholders claimed that immigration facilitated the international exchange of skills, expertise, ideas and innovation that helps restaurants and food services to thrive. According to one representative, Australian hospitality “wasn’t built by a domestic market; it was built by Italians, Greeks, Americans, Vietnamese, coming in and bringing their business and cuisine with them”.⁷⁴ International mobility is also a key part of the accommodation segment of hospitality. Large hotel chains rely on intracompany transfers to send their Australian-based employees to their international operations to acquire skills and experience that would be difficult to obtain domestically, and to transfer staff from abroad to Australia to bring new insights into their organisations. The prospect of international mobility was seen as important for enhancing the appeal of the industry to potential employees.

Notwithstanding the importance of immigration to hospitality, the expansion of temporary migrant labour has helped to compensate for the failings of the vocational training system in supplying hospitality skills. Industry stakeholders claimed the diminished quality of training provision has prompted employers in the industry to rely more on temporary visas to address their workforce needs. Despite this reliance on temporary migrant labour, the number of temporary skilled visa holders sponsored to work in hospitality has declined in recent years (see Figure 4.4). Border closures in 2020 led to an abrupt reduction in temporary skilled visa holders sponsored to work in the industry. However, the decline in temporary skilled visa

⁷⁴ Author interview #8.

sponsorships in hospitality preceded the COVID pandemic. The Australian government's introduction of tighter visa restrictions in 2018, which made it harder for temporary skilled migrants sponsored to work in hospitality to transition to permanent residency, was widely mentioned as the key reason for this decline. Furthermore, administrative delays of temporary skilled visa processing times and increased application costs were also cited as factors deterring both employers and migrant workers from using the scheme.

While these changes to immigration policy have created significant challenges, some industry representatives believed the impacts of the 2018 reforms were positive because they forced employers to focus more attention on domestic strategies for attracting and retaining workers. According to one industry representative:

The policy changes around skilled migration a couple of years ago highlighted that businesses couldn't be complacent in relying on that to always be a source of labour. So they recognised that they had to look locally and develop talent locally... Unequivocally it's a very good thing when businesses recognise that the most efficient way to fill a vacancy is through local labour sources. It's a good thing when they're developing internal pathways or trying to change the perception around careers in the hospitality and tourism industry.⁷⁵

Nevertheless, hospitality remains an important source of employment for migrant workers. The past year has seen an increased in temporary skilled visa sponsorships. According to the most recent available statistics, there are more current temporary skilled visa holders sponsored to work as chefs than any other occupation in the Australian labour market. Chefs and two other hospitality occupations – café/restaurant manager and cook – were also among the top 15 nominated occupations for all primary temporary sponsored skilled visa holders granted visas in the past year. In 2021-22, hospitality accounted for 9.5% of all temporary skilled visas granted and was the fifth highest industry in terms of visa sponsorships.⁷⁶

There is extensive reliance among hospitality employers on other types of temporary visas. Hospitality is the main source of employment for international students (Reilly et al., 2017). Many international students who work in the industry are based in the major cities. However, the employment of international students during their summer breaks when working hours limitations do not apply has been an important way that employers in regional areas have addressed seasonal peaks in demand. Designated Area Migration Agreements have also been utilised extensively by hospitality employers in certain regional areas. In the words on one industry stakeholder: "visa systems have been critically important in delivering skilled labour particularly in terms of chefs into regional areas".⁷⁷

Migrant workers have thus been vital for addressing the hospitality industry's skills and workforce needs including in regional areas where the challenges of attracting and retaining labour are pronounced. However, the large number of media reports of temporary migrants working in hospitality being mistreated suggests the industry faces major problems with employer misuse of visa regulations.⁷⁸ For temporary skilled visa holders, the limitations on mobility between employers and lack of access to union representation makes workers vulnerable to such mistreatment. According to one industry representative, temporary skilled migrant workers "are very much at the beck and call of employers... either they just do

⁷⁵ Author interview #2.

⁷⁶ Department of Home Affairs, 2022. *Temporary Resident (Skilled) Report – 30 June*. Canberra: Australian Government.

⁷⁷ Author interview #59.

⁷⁸ Clibborn, S. and Wright, C.F., 2018. Employer theft of temporary migrant workers' wages in Australia: Why has the state failed to act? *Economic and Labour Relations Review*, 29(2): 207-227.

whatever their boss tells them because they're in a precarious situation and don't want to lose their visa and will have to leave the country. And so, they put up with whatever they're told".⁷⁹

Various academic studies have highlighted the acute problems of hospitality employers mistreating temporary migrant workers. One study of the reasons why employers used the temporary skilled visa scheme found that hospitality employers valued visa holders more for their more loyalty, and perceptions that they were harder working, had a better attitude, and their personality and values, rather than their technical skills. This is despite the objectives of the temporary skilled visa to address skill shortages, i.e., shortages of workers with the qualifications required to perform the jobs. The study found that employers perceived temporary visa holders as being relatively controllable, productive and reliable due to the constraints on these workers' mobility, collective representation and permanent residency imposed by their visa status.⁸⁰

Other studies have found that hospitality workers on various categories of temporary visas – including temporary skilled, international student and working holiday visas – have been disproportionately affected by underpayment of wages and other forms of employer non-compliance with their legal obligations. One study found that cooks and chefs were the most common sponsored occupation among temporary skilled visa holders who brought legal claims against their employer sponsors.⁸¹ A national survey of temporary visa holders found that 71% of those working in food services were paid below the national minimum wage and 28% were paid less than two-thirds of the national minimum wage.⁸² Another survey of international students in Sydney found that 100% of those working as waiters in restaurants or cafes were paid below the minimum wage.⁸³

⁷⁹ Author interview #32.

⁸⁰ Wright, C.F., Knox, A. and Constantin, A., 2021. Using or abusing? Scrutinising employer demand for temporary sponsored skilled migrants in the Australian hospitality industry. *Economic and Industrial Democracy*, 42(4): 937-959.

⁸¹ Boucher, A., 2019. Measuring migrant worker rights violations in practice: The example of temporary skilled visas in Australia. *Journal of Industrial Relations*, 61(2): 277-301.

⁸² Berg, L., and Farbenblum, B., 2017. *Wage Theft in Australia: Findings of the National Temporary Migrant Work Survey*. Sydney: Migrant Worker Justice Initiative.

⁸³ Clibborn, S., 2021. Multiple frames of reference: Why international student workers in Australia tolerate underpayment. *Economic and Industrial Democracy*, 42(2): 336-354.

Figure 4.4: Temporary skilled visa grants and stock of temporary skilled visa holders sponsored to work in accommodation and food services, 2005/06 – 2021/22



Source: Department of Home Affairs, 2022. Temporary Resident (Skilled) Visas Granted Pivot Table. Canberra: Australian Government; Department of Home Affairs, 2022. Temporary Resident (Skilled) Visa Holders Pivot Table. Canberra: Australian Government.

4.4 Summary

The hospitality industry has consistently faced major challenges addressing its skills and workforce needs. The sensitivity of the industry to disruptive events and fluctuations in seasonal and regional demand have compounded these challenges. However, hospitality work has a reputation problem. The relatively young profile of hospitality workers and high turnover rates suggests that many workers regard it as an avenue of short-term employment while studying and as a stepping-stone to careers in other industries. While hospitality employment is projected to grow strongly in the coming years, there are concerns over whether the industry's workforce needs can be met given the multitude problems with its skills ecosystem. Problems with job quality in hospitality have contributed to difficulties attracting and retaining workers. Declining vocational training outcomes suggest existing mechanisms for skills development and utilisation are not working effectively. While hospitality employers have relied heavily on temporary migrant workers, as the workforce problems created by border closures during COVID illuminated, there are major problems with temporary migrant workers in the industry being mistreated.

In sum, none of the mechanisms that constitute the hospitality industry's skills ecosystem appear to be functioning effectively. There is minimal coordination between industrial relations, vocational training and immigration policy arrangements in the industry to ensure they work together coherently and effectively. There are various measures that could be taken to address this:

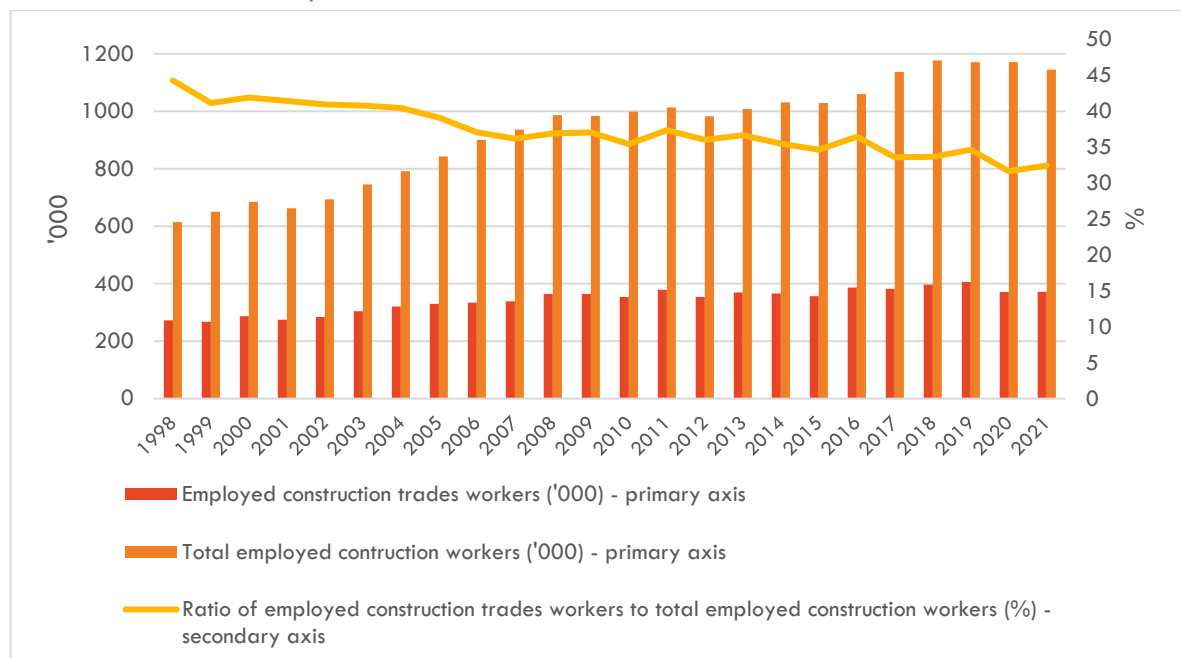
- A greater focus on job quality would help to improve the attractiveness of hospitality work and encourage higher workforce retention rates. Increasing wage levels, strengthening job security and providing more structured opportunities for career development are all important ways to achieve this. These measures would likely to improve workforce commitment and productivity, which would help to offset the initial costs of improving job quality.

- Problems relating to employees being mistreated and underpaid, including for overtime, have affected hospitality's reputation and likely exacerbated pre-existing challenges with workforce attraction and retention. Industry stakeholders therefore have an interest in ensuring these problems are systematically resolved.
- The structure of many hospitality jobs makes the reconciliation of work and family responsibilities challenging. Reducing standard working hours would improve the retention of workers with care responsibilities, especially women. Redesigning rosters to allow shorter or fewer shifts depending on worker needs and reducing the intensity of work processes are some of the measures that could help to achieve this.
- Improving job quality for apprentices and trainees would help to arrest the decline in hospitality training outcomes. In this respect, increasing apprenticeship wages and creating more coherent post-apprenticeship career pathways are measures that could potentially improve trades commencement and completion rates.
- Strengthening sector-wide coordination of training would help to reduce risks and collective action problems that have contributed to employer underinvestment in training and problems with poaching. Expanding group training schemes is one way to achieve this, albeit a piecemeal one unless such schemes are implemented on a sector-wide or regional basis. Other sector-wide measures to coordinate training and workforce utilisation, including via collective bargaining with unions, should also be developed.
- Restrictions on temporary migrant workers' mobility between employers and their access to government support, collective representation and permanent residency have contributed to problems of employees being underpaid and mistreated. These arrangements have resulted in a relatively high proportion of hospitality employers developing a structural reliance on migrant labour to address their workforce needs. There is a need to ensure that employer mistreatment of migrants working in the industry is addressed and that hospitality employers develop strategies for meeting their workforce requirements that are more sustainable and less prone to disruption.

5. Construction

Construction industry employment has increased by 81% over the past two decades from 642,673 in 2001 to 1,164,141 in 2021.⁸⁴ However, skills regeneration has not kept pace with this growth, as reflected in the share of construction trades workers relative to total construction employment declining from 41% to 32% during this period (see Figure 5.1). Government subsidies for employers of apprentices have helped to sustain construction trades training.⁸⁵ However, low trades training completion rates and concerns about training quality have led construction employers to seek alternative means for addressing their workforce needs. Until the border closures prompted by the COVID pandemic in 2020, the employment of temporary migrant workers was an important solution in this respect.

Figure 5.1: Employed construction trades workers and total employed construction workers, 1998-2021



Note: Author's calculations based on construction trades employment data and total construction employment data. Source: Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government (construction employment data); National Centre for Vocational Research, 2022 (construction trades employment data).

⁸⁴ Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government.

⁸⁵ Fortwengel, J., Gospel, H. and Toner, P., 2021. Varieties of institutional renewal: the case of apprenticeship in the US, England, and Australia. *Journal of Vocational Education and Training*, 73(1): 71-94.

5.1 Industrial relations

Average weekly ordinary time earnings in construction are similar to the national average across all industries. However, the gender pay gap between men and women workers in construction (17.4%) is wider than the national gap (13.8%).⁸⁶ There is also a significant gender employment gap, with only 12% of all construction employees in 2018 being women, which was lower than the proportion 20 years earlier. Women's employment share in construction is lower than any other industry.⁸⁷ Construction was one of the two most common industries of employment for working age Indigenous Australians in 2018-19. The proportion of Indigenous Australians employed in the industry has increased over time.⁸⁸ Nevertheless, industry stakeholders acknowledged the need to further increase employment of Indigenous Australians in construction.

Wage rates are relatively low among construction trades apprentices and a large proportion of construction workers are engaged as contractors or via insecure work arrangements, which has impacted skill formation.⁸⁹ According to one industry stakeholder:

Once upon a time, a labourer was directly employed, and the employer needed to deploy them – it was in the employer's interest to get some flexibility in terms of the deployment of their labour force. So they would be released [from work and] they would negotiate a training plan ... Now, they're not employed directly by the employer and the employer will go to the labour hire or sub-contract out... There's a lot more onus on the worker to do that training.⁹⁰

Around 10% of the construction workforce is a member of a trade union.⁹¹ While union membership is very low among the residential construction workforce, the Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU), has sought to promote training in other parts of the industry particularly commercial and civil construction.⁹² In Victoria, the CFMMEU has maintained a training levy that some employers pay via enterprise agreements to fund a union training centre, which operates as a registered training organisation. However, most of the union training centres that once existed in other states have closed. Unions have also found it increasingly challenging to maintain apprenticeship clauses in enterprise agreements that require specific employer commitments to training. Furthermore, the Australian government and several state governments have removed union representation from construction industry training boards and other policy governance organisations, which has weakened worker voice in the development of policy responses to skills and workforce challenges.

⁸⁶ Australian Bureau of Statistics, 2022. 6203.0 *Average Weekly Earnings, Australia*. Canberra: Australian Government.

⁸⁷ Workplace Gender Equality Agency, 2019. *Gender Segregation in Australia's Workforce*. Sydney: Australian Government.

⁸⁸ Australian Institute for Health and Welfare, 2021. *Indigenous Employment*. Available at: <https://www.aihw.gov.au/reports/australias-welfare/indigenous-employment>.

⁸⁹ Fortwengel, J., Gospel, H. and Toner, P., 2021. Varieties of institutional renewal: the case of apprenticeship in the US, England, and Australia. *Journal of Vocational Education and Training*, 73(1): 71-94.

⁹⁰ Author interview #17.

⁹¹ Australian Bureau of Statistics, 2020. 6333.0 *Trade Union Membership*. Canberra: Australian Government.

⁹² Veen, A. and McGrath-Champ, S., 2021. Evolving employment relations in the Australian construction industry. In: Belman, D., Druker, J. and White, G., eds, *Work and Labor Relations in the Construction Industry – An International Perspective*. New York: Routledge, pp. 34-56.

5.2 Vocational training

Increased financial pressures in recent decades have led the construction contracting chain to become more segmented via a growth of subcontracting arrangements and self-employment. This has eroded vocational training in various ways. According to one recent study:

Profit margin squeeze along the supply chain limits subcontractors' capacity further down the chain to provide employment benefits dislodged by main contractors, benefits which had been established through union action and for some lengthy period accepted (if reluctantly) by employers, as reasonable entitlements.⁹³

Many larger construction firms that were more likely to train apprentices now employ fewer workers directly. Government utilities that were once major employers of construction trades apprentices have been privatised, corporatised or outsourced. This has led to a decline in employer training investment and a rise of firms relying on poaching workers to address their skills and workforce needs. According to Noonan and Pilcher:

Specialisation and the proliferation of sub-contracting in the building and construction industry means that some large construction firms no longer employ large numbers of apprentices, and specialised contractors are reluctant to take on apprentices.⁹⁴

Smaller firms with fewer resources have also become more reluctant to invest in training and take on apprentices due to concerns that they will not be able to recover the costs of their investment. Furthermore, self-employed workers face various barriers to formally developing their skills.⁹⁵ In the words on one industry stakeholder:

The industry [has] changed from direct employment to casualised and labour hire. Watching the larger employers that used to be able to negotiate just completely abrogate their responsibility to the skills of the workforce by saying: Well, we don't employ them, they're not ours, it's the [subcontractor's who] is probably a sham contractor... [It is a] constant shifting of risk and responsibility.⁹⁶

While construction trades training enrolments have increased in recent decades, training outcomes have struggled to keep pace with industry employment growth. As Figure 5.2 illustrates, between 2001 and 2020 the number of construction trades apprentices and trainees in training rose from 29,300 to 56,600 and those commencing training increased from 9,300 to 18,700. This increase was driven by strong construction employment growth and increased government funding to encourage more traineeships. However, training completions have stagnated in recent years. Construction trades apprenticeship and traineeship completions in 2021 were at the lowest level since 2007. Furthermore, when compared against overall construction employment levels, construction trades training completions have declined in recent years and were lower in 2021 than in 1998 (see Figure 5.4). A similar trend was also

⁹³ Veen, A. and McGrath-Champ, S., 2021. Evolving employment relations in the Australian construction industry. In: Belman, D., Druker, J. and White, G., eds, *Work and Labor Relations in the Construction Industry – An International Perspective*. New York: Routledge, p 46.

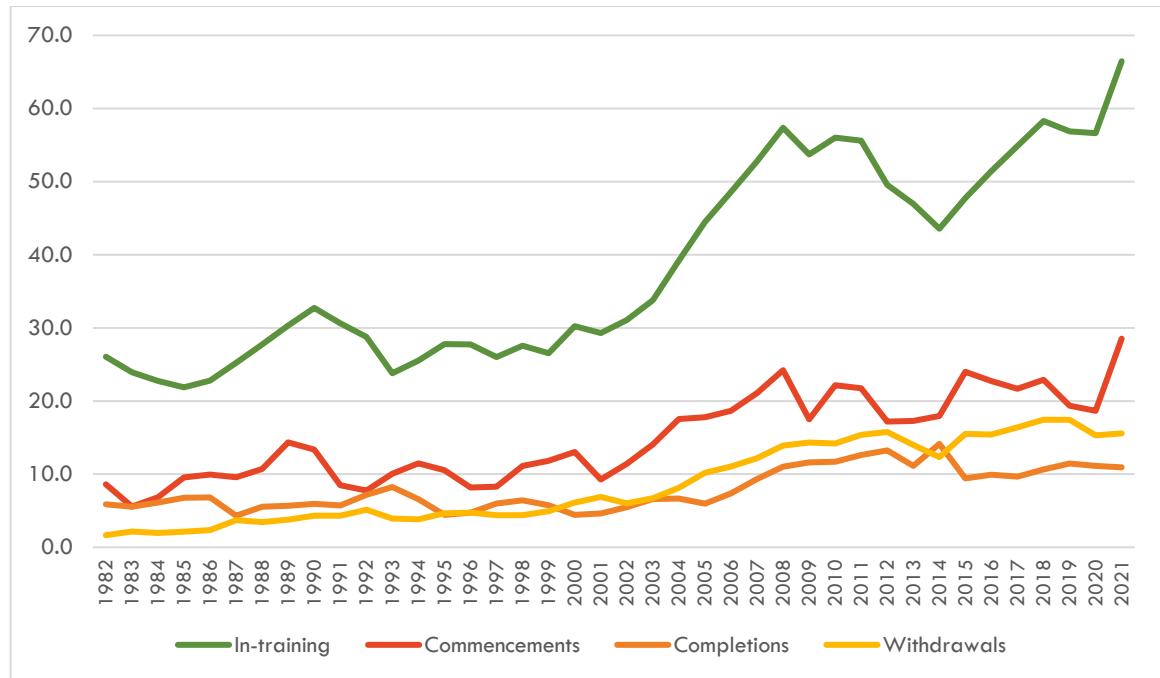
⁹⁴ Noonan, P. and Pilcher, K., 2017. *Finding the Truth in the Apprenticeships Debate*. Melbourne: Mitchell Institute, p. 14.

⁹⁵ McGrath-Champ, S., Rosewarne, S. and Rittau, Y. 2011. From one skill shortage to the next: The Australian construction industry and geographies of a global labour market. *Journal of Industrial Relations* 53(4): 467-485.

⁹⁶ Author interview #29.

evident with respect to construction trades apprenticeship and traineeship commencements prior to the introduction of Job Trainer in 2021, which led to an increase in both the number and proportion of training enrolments.

Figure 5.2: Training outcomes for construction trades apprentices and trainees (thousands), 1982-2021



Source: National Centre for Vocational Education Research, 2022. *Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021*. Adelaide: National Centre for Vocational Research.

Figure 5.3: Construction trades apprenticeship and traineeship commencements and completions relative to total construction employment (%), 1998-2021



Note: Author's calculations based on construction trades apprentice and trainee data and construction employment data. Annual construction employment data was calculated by averaging published quarterly data.

Source: Australian Bureau of Statistics, 2022. 6202.0 Labour Force, Australia. Canberra: Australian Government (construction employment data); National Centre for Vocational Education Research, 2022. Historical Time Series of Apprenticeships and Traineeships in Australia, From 1963 to 2021. Adelaide: National Centre for Vocational Research (construction trades apprentice and trainee data).

These general trends are also evident among different construction trades occupations. Since 2012 there have been declines in apprenticeship and traineeship completions among key construction trades occupational groups, including carpenters and joiners; plumbers; floor finishers and painting trades workers; and glaziers, plasterers and tilers. There have been significant increases in withdrawals and cancellations of apprenticeships and traineeships among the two largest of these groups, namely carpenters and joiners, and plumbers.⁹⁷

Low apprenticeship wage levels and poor training quality offered by unscrupulous training providers were widely cited reasons for these training outcomes by industry stakeholders. Employer association officials also claimed the diminished 'quality' of construction apprentices and trainees themselves as a reason for low completion rates. They cited the tendency of younger workers to "chase the immediate dollars and not look ahead to the consequences of that in terms of a career pathway" if they left their apprenticeships in favour of higher-paid but lower-skilled work with less reliable demand, which reflects "very short-term thinking of course because when the cycle turns down that demand for general labourers onsite falls away quite swiftly".⁹⁸ By contrast, union officials claimed the high incidence of insecure contracts which failed to provide career certainty as a key reason for low trades training completion rates.

⁹⁷ National Centre for Vocational Education Research, 2021. NCVER VOCSTATS: *Apprentices and Trainees – Training Contract Status by Occupation*. Adelaide: National Centre for Vocational Education Research.

⁹⁸ Author interview #40.

The decline in apprenticeship and traineeship completions reflects inconsistencies in training particularly among private providers. This has diminished confidence in the training system among construction employers and prompted them to seek alternative solutions for addressing their skills needs. One response has been for employer associations to establish their own registered training organisations to offer more tailored and flexible training deliveries that are more attuned to the specific skills needs of their members. As noted above, while unions in some states have successfully pursued a similar approach, many union-operated training centres have closed. Some employer associations operate group training organisations by training pools of apprentices who can be matched with host employers. This can lower the risks of apprentices being poached and reduce the administrative and resource burdens of training for smaller employers. Group training can also provide additional support for workers in insecure employment who might not otherwise commence or complete training.

5.3 Migrant workers

Problems with the training system have made immigration policy a more important solution for construction employers looking to address their workforce needs, at least prior to COVID. The introduction and expansion of various temporary visas since the early 2000s has provided the industry with additional sources of skills.

In 2011-12, employers in construction sponsored more temporary skilled migrants than any other industry.⁹⁹ Since then, the industry's sponsorship rates have fallen due to sharp declines in demand in Western Australia and Queensland and 2018 changes to temporary skilled visa regulations, which made the sponsorship process more expensive and administratively difficult (see Figure 5.4). Employer association officials emphasised that sponsoring workers on temporary skilled visas was generally done only when there were genuine skills needs. According to one industry representative:

The absolute monetary cost and the compliance cost of going through the visa system and bringing someone in, it's a lot tougher and a lot more expensive now than it used to be. And that's actually quite deliberate on the part of the government. It was a policy to bring down the number of short-term visa entrants into Australia and it's worked, partly because of that considerable increase in the compliance cost.¹⁰⁰

⁹⁹ Department of Home Affairs, 2022. *Temporary Resident (Skilled) Visas Granted Pivot Table*. Canberra: Australian Government.

¹⁰⁰ Author interview #40.

Figure 5.4 Temporary skilled visa grants and stock of temporary skilled visa holders sponsored to work in construction, 2005/06 – 2021/22



Source: Department of Home Affairs, 2022b. Temporary Resident (Skilled) Visas Granted Pivot Table. Canberra: Australian Government; Department of Home Affairs, 2022. Temporary Resident (Skilled) Visa Holders Pivot Table. Canberra: Australian Government.

However, construction still accounts for a relatively sizeable share of migrants working in Australia on temporary skilled visas. One study found that workers on temporary skilled visas sponsored to work in construction were disproportionately overrepresented in legal cases involving underpayment of wages.¹⁰¹ According to another study, problems of temporary migrant workers being exploited are concentrated in residential construction where union membership is low.¹⁰² Construction employers were more likely than their counterparts in most other industries to misuse the visa by recruiting workers perceived as more loyal and harder working rather than using it to address skills shortages, which is the stated objective of the scheme.¹⁰³ These outcomes are the consequence of regulations that restrict the ability of temporary skilled migrants to switch employers and to gain permanent residency if they maintain employment with their employer sponsor, which deters migrant workers from exercising voice if they are mistreated. These limits on temporary skilled migrants' mobility, support and access to collective representation and permanent residency have made them attractive for unscrupulous construction employers seeking to address their workforce needs.

Migrants on other temporary visa schemes have also been important sources of construction skills and labour. Construction employment has increased among both working holiday visa holders and student visa holders in recent years.¹⁰⁴ Industry stakeholders claimed workers on these temporary visas has been recruited extensively in certain segments of the construction industry, such as wall and ceiling. In these segments, there were reports of workers on temporary visas being engaged via elaborate subcontracting arrangements below industry standards, which has undermined training and skill formation.

¹⁰¹ Boucher, A., 2019. Measuring migrant worker rights violations in practice: The example of temporary skilled visas in Australia. *Journal of Industrial Relations*, 61(2): 277-301.

¹⁰² Toh, S. and Quinlan, M., 2009. Safeguarding the global contingent workforce? Guestworkers in Australia. *International Journal of Manpower*, 30(5): 453-471.

¹⁰³ Wright, C.F. and Constantin, A., 2021. Why recruit temporary sponsored skilled migrants? A human capital theory analysis of employer motivations in Australia. *Australian Journal of Management*, 46(1): 151-173.

¹⁰⁴ Department of Home Affairs. 2021. *Working Holiday Maker Visa Program Report – 30 June*. Canberra: Australian Government; Reilly, A., Howe, J., Berg, L., Farbenblum, B. and Tan, G., 2017. *International Students and the Fair Work Ombudsman*. Adelaide: University of Adelaide.

5.4 Summary

The construction industry has experienced strong employment growth over the past two decades and this trend is expected to continue in the coming years.¹⁰⁵ While the number of workers in construction trades training has increased, the relatively low apprenticeship and traineeship completion rate and concerns over training quality raises questions over whether the industry can meet its future skills and workforce needs. The decline in the proportion of construction trades workers relative to total construction employment further highlights these concerns. There are various steps that construction stakeholders can take to address the industry's workforce needs on a more sustainable basis.

- Low levels of female employment and a large gender pay gap in construction indicate the industry is highly gender segregated. Addressing this gendered segregation would help to attract more women to construction work and thereby improve the industry's ability to respond to future skills and workforce challenges.
- There is potential to increase construction employment among Indigenous Australians.
- Low apprenticeship wages and a prevalence of insecure work potentially discourages workers from completing their trades training and from pursuing a career in the industry. Improving job quality would likely help to improve construction trades apprenticeship and traineeship completion rates.
- Downsizing of large construction employers and intensification of contracting chain pressures have shifted the onus for training onto subcontractors and workers. Smaller construction firms have become more reluctant to train due to the perceived risks of competitors poaching skilled workers, which can lead these firms not being able to recoup their training investment. While this pattern of risk-shifting suggests the need for reform of the industry's economic structures, expanding the use of group training schemes may be a short-term measure for helping to offset problems of poaching.
- The marketisation of the training system has resulted in concerns over training quality particularly from private providers. Giving TAFE colleges and registered training organisations operated by employer associations and trade unions a more prominent position could potentially improve training quality and reliability.
- Enterprise bargaining has been used as a mechanism for addressing the industry's skills needs, for example by giving workers paid training leave. However, there are various impediments to achieving this on a large scale, which suggests the need to consider how the bargaining system could be modified to promote training and skill development more effectively.
- Temporary visas designed to address short-term employer demand have helped to overcome the shortcomings of the training system, but overreliance on temporary migrant labour in some segments of the industry may have discouraged investment in skill formation. There is a need to address problems of temporary migrant workers being underpaid and mistreated and some construction employers misusing temporary visa schemes to ensure that the temporary visa system complements rather than undermines vocational training.

¹⁰⁵ National Skills Commission, 2021. *Employment Projections*. Available at: <https://www.nationalskillscommission.gov.au/topics/employment-projections>.

6. Conclusions and policy implications

This report has examined the extent to which the main elements of Australia's skills ecosystem – industrial relations, training and immigration policies – are meeting workforce needs in the vocational trades. It has focused on the construction and hospitality industries, which have been central to national debates over how to best address workforce needs and the balance that should be given between different policy avenues.

The main finding of the report is that current policy arrangements need reform. These arrangements have been designed to satisfy the immediate demands of individual employers. However, as the disruptive labour market effects of COVID have shown, they are less equipped for meeting longer-term workforce needs. The different components of the skills ecosystem are at cross purposes, as problems with the design of the temporary skilled migration scheme outlined in Chapter 1 exemplify. Industrial relations, training and immigration policies all make essential contributions to the Australian labour market but need to be recalibrated to ensure they complement rather than undermine one another.

Problems with job quality in certain industries and the prevalence of contract, casual and contingent labour have been barriers to workforce attraction, retention and development. Concerns over poaching and the quality of skills production have discouraged employers from investing in training, as the relative decline in trades training commencements and completions illustrates. Unscrupulous employers have been able to gain an unfair advantage by employing temporary migrant workers vulnerable to mistreatment to address their workforce needs rather than investing in training and improving job quality. These findings have been developed from an analysis of the skills ecosystems in two industries reliant on vocational trades skills: hospitality and construction.

The findings presented in Chapter 4 indicate the hospitality industry faces major challenges addressing its future skills and workforce needs. The relatively young profile of hospitality workers and high turnover rates suggests that many workers regard the industry as an avenue of short-term employment and as a stepping-stone to careers in other industries. Problems with job quality in hospitality have contributed to the industry's difficulties attracting and retaining workers. Declining vocational training outcomes suggest existing mechanisms for skills development and utilisation are not working effectively. While hospitality employers have relied heavily on temporary migrant workers, as the workforce problems created by border closures during COVID illuminated, there are major problems with temporary migrant workers in the industry being mistreated. None of the mechanisms that constitute the hospitality industry's skills ecosystem appear to be functioning effectively. Coordination of industrial relations, vocational training and immigration arrangements need to be strengthened to address the industry's workforce needs on a more sustainable basis.

The findings presented in Chapter 5 suggest there are also challenges meeting the construction industry's projected workforce needs. While the number of workers in construction trades training has increased, the proportion of construction trades workers relative to total construction employment has declined. There are concerns over training quality and the relatively low apprenticeship and traineeship completion rate. Low levels of female employment and a large gender pay gap in construction indicate the industry is highly gender segregated. Low apprenticeship wages and a prevalence of insecure work serves to deter construction workers from completing their trades training. Smaller construction firms have become more reluctant to train due to the perceived risks of competitors poaching skilled workers. Temporary visas designed to address short-term employer demand have helped to overcome the shortcomings of the training system, but overreliance on temporary migrant labour in certain industry segments may have discouraged some construction employers from investing in skill formation.

The report recommends various measures to improve the ability of industrial relations, vocational training and immigration policies to address future workforce needs. These include:

1. The Australian Government should redesign temporary skilled visa regulations to ensure they address skills shortages to improve industry competitiveness rather than individual employers' recruitment difficulties, which may be due to uncompetitive wages and poor job quality. An industry-sponsorship model should replace the existing single-employer sponsorship model, which is poorly equipped for addressing skills shortages (as distinct from recruitment difficulties) and increases the risks of underpayment and mistreatment. Under an industry sponsorship model, employer associations and unions in the relevant sector/region should be the joint sponsors of temporary skilled migrant workers. Since workers are best positioned to know how their skills can most effectively be utilised, they should have freedom to move between employers so long as their work relates to their area of sponsorship. Worker mobility would further reduce the risks of mistreatment and underpayment and address skills shortages more effectively.
2. The Australian Government should remove restrictions on temporary migrant workers' mobility between employers, their access to government support and collective representation, and their pathways to permanent residency and citizenship. Under current regulations, these restrictions have directly contributed to problems of temporary migrant workers being underpaid and mistreated.
3. Governments should increase funding of reputable training providers, such as TAFE colleges, non-profit adult and community educators and registered training organisations operated by employer associations and trade unions, to improve training quality and reliability.
4. Employers should work with trade unions and governments to develop strategies to improve workforce attraction and retention among Indigenous Australians.
5. Employer associations and trade unions should work together to strengthen industry coordination over training. This would help to reduce risks and collective action problems that have contributed to poaching and employer underinvestment.
6. Employers should improve job quality – including among apprentices and trainees – to strengthen workforce attraction and retention. This could be achieved by ensuring that wage levels and working conditions are competitive and compensate workers fairly, safeguarding workers' job security, and providing better opportunities for workers to acquire the skills and experience necessary to develop careers in the industry.
7. Employers should reduce standard working hours to ensure that workers with care responsibilities can reconcile their work and family responsibilities. This would help to improve women's employment in male-dominated industries such as construction and their retention in industries with reputations for poor job quality such as hospitality.

Coordination of industrial relations, vocational training and immigration policies also needs to be strengthened to ensure they function together more coherently to address workforce needs. As Chapter 3 highlighted, international research indicates that sector-wide collective bargaining is an effective mechanism of skills coordination in Denmark, Norway and Germany. Unlike enterprise bargaining, which exacerbates the risks and collective action problems that can deter employer training investment, sector-wide bargaining can help to reduce these risks. It can also foster cooperation among employer associations and unions given their mutual interests in skills and workforce development as mechanisms for employee prosperity and advancement and business and industry competitiveness. Sector-based bargaining can thus enable a 'mutual gains' approach for employer associations and unions to work together to improve the productivity and international competitiveness of their industries.

This report recommends the creation of 'Sector Skills Agreements' collectively negotiated between the relevant employer associations and trade unions to strengthen industry coordination over industrial relations, vocational training and immigration arrangements. Sector Skills Agreements should operate along the following lines:

8. Sector Skills Agreements should specify jointly agreed principles for responding to immediate and longer-term skills and workforce needs and for developing workers with quality, transferable skills. Sector Skills Agreements should be collectively negotiated between employer associations and unions since these stakeholders are best placed to jointly determine the solutions for addressing their industry's immediate and longer-term workforce needs. Sector Skills Agreements should be supported by quality training providers like TAFE and informed by workforce projection data provided by the National Skills Commission.
9. Sector Skills Agreements should determine the respective roles to be played by industrial relations, training and immigration arrangements in addressing the workforce needs of each sector. For instance, each agreement should specify how many apprentices to be trained in a given period, how many skilled migrants to be sponsored, and the criteria for allocating sponsored temporary skilled migrants to particular employers. Each Sector Skills Agreement should set out baseline expectations for how many apprentices employers should train each year adjusted for business size, incentives for employers who train more apprentices above the baseline (e.g., training subsidies, access to recruit skilled migrants), and sanctions for employers who train less than the baseline (e.g., training levies, restrictions on recruiting temporary skilled migrants). Employer membership of the relevant employer association could be a requirement for access to these provisions, while the relevant unions and employer associations should have responsibility for ensuring compliance with the terms of each agreement.
10. Under each Sector Skills Agreement, the guidelines that employer associations and unions use to assess the respective roles of industrial relations, training and immigration in addressing workforce needs should follow the framework established by the UK Government's Migration Advisory Committee. This framework recommends skills needs to be addressed primarily through training and industrial relations mechanisms, such as wage increases and job quality improvements, to expand the pool of labour available domestically. It recommends that immigration be utilised once these other measures have been exhausted.¹⁰⁶
11. Where a Sector Skills Agreement deems temporary skilled migration to be necessary, it should be based on the industry (or regional) sponsorship model outlined above. Employers who do not comply with the terms of the relevant Sector Skills Agreement should not be eligible to employ temporary skilled migrant workers under this model.
12. Regional areas typically face greater struggles than major metropolitan centres in attracting, retaining and developing skilled workers. In recognition of the acute struggles of regional areas in addressing their workforce needs, priority should be accorded to developing 'Regional Skills Agreements' to be negotiated between state/territory or regional branches of employer associations and unions detailing more specific measures to address the needs of particular regions, albeit within the terms of relevant Sector Skills Agreements. The allowance of localised industrial relations, training and immigration policy arrangements set out in Regional Skills Agreements would help to address this.
13. The creation of Sector Skills Agreements would be distinct from the operation of enterprise agreements. However, there is scope to amend enterprise agreement regulations to allow employers and workers, within the parameters of the relevant Sector Skills Agreements, to more easily develop tailored arrangements to meet the specific skills and workforce needs of individual enterprises. Such arrangements should, however, be devised in a way consistent with occupational standards to ensure ready transferability of the skills developed.

¹⁰⁶ Migration Advisory Committee, 2008. *Identifying Skilled Occupations where Migration can Sensibly help to Fill Labour Shortages*. London: Home Office.

In recent decades, employers in Australia have relied heavily upon government intervention in the form of training subsidies and demand-driven temporary immigration policies to address their workforce needs. Border closures during COVID have highlighted the risks of relying too heavily on temporary migrant labour. The current Australian Government has emphasised the need for businesses “directly investing in training and skill development of their workforce”.¹⁰⁷ Future governments may seek to reduce training subsidies as part of their efforts to address budget deficits. Government intervention may therefore not always be a reliable solution to industry’s workforce problems. As such, the findings and recommendations of this report are designed to generate ideas to allow employers, unions and other industry stakeholders to address their workforce needs in a more sustainable manner.

¹⁰⁷ Treasury, 2022. *Jobs and Skills Summit: Issues Paper*. Canberra: Australian Government, pp. 8-9.