

# Training Reform: Back to Square One?

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## Abstract

*A number of recent inquiries into Australia's national training system have found it to be on the sick side. This article seeks the causes of this in the recent evolution of training policy, which commenced in the late 1980s. The article traces the demise of the first moderately interventionist National Training Reform Agenda, which union reformers played a role in shaping, through the increasing marketisation of training policy. Under the Liberal National Coalition, budget constraints and the short term interests of employers have increasingly driven training policy. The drift of policy is against the grain of prescriptions drawn from the international literature, which shows the need for interventionist measures to correct 'market failure', and to ensure adequate expenditure and the integrity of qualifications.*

## Introduction

One point on which theorists of industrial development agree is the need for an effective training system. Thus far Australia has shown itself unable to develop such a system, despite sustained reform efforts since the late 1980s. The failure of recent training reform has been highlighted by a number of inquiries which reported through 1999 and 2000, in particular reviews by consultant Kaye Schofield, and a crucial Senate Select Committee inquiry (see Schofield, 1999, 2000; SEWRSBERC, 2000). The Australian National Training Authority (ANTA) agreed with much of this analysis (ANTA, 2000). In response, on the 8 June 2001, State Ministers for Vocational Education and Training (MOVEET) agreed to change the name of the Australian Recognition Framework (ARF) to the Australian Quality

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Training Framework (AQTF) (ANTA, 2001). Whether this amounts to anything more than the 'acronym engineering' that has characterised many past reform efforts – that is, whether we are 'back to square one' – remains to be seen.

There have been few critical and political attempts to trace the genesis and the general course of the training reforms, despite the flood of research coming out of the NCVER (see [www.ncver.edu.au](http://www.ncver.edu.au)). Here, this article seeks to make a contribution. An historical survey of the processes of reform reveals the increasing hold of economic liberalism on training policy. This is hardly surprising, but the problem is that the training policy literature identifies training as a paradigmatic instance of market failure, in the production of collective goods. To produce such goods, collective actors must impose their will on market processes, so the latter are shaped to successful outcomes (eg Crouch, *et al*, 1999; Streeck, 1989). This is the nettle ungrasped by Australian training policy makers: successive governments have effectively turned training over to employers and 'the market'. Another major pitfall for training policy (as the creation of a pool of advanced skills) is the latter's subordination to employment policy (where the prime aim is to lower unemployment). While the Liberal/National Coalition Government has taken these tendencies to new (and destructive) heights, they were begun under Labor. And it is far from clear that a new Labor government will be willing or able to reverse them.

Training reform in Australia can be divided into two phases. In the first of these, discussed in section one, training reformers proposed to put in place a training system which combined elements of the German training system, stressing portability of qualifications and strong centralised unions, with the British National Vocational Qualification (NVQ) system. This initiative was known as the National Training Reform Agenda (hereafter NTRA). The NTRA was exhausted by 1993, but metamorphosed under the Keating administration through a process denoted here as the 'deregulation' of the NTRA. This latter period is a pivotal one, in which the economic liberal ideas that drove training reform under the Liberals first gained a major hold on training policy.

The second phase of training reform commenced with the change of government in March 1996, and is discussed in section two. The end of the Accord, and the exclusion of union influence from policy making, characterises this period. The incoming government quickly dismantled key elements of the NTRA, and the *Working Nation* programs, but built on their economic liberal components. The Liberals completed the construction of

a 'market' in training, and the merging of training and employment policy begun by Labor.

The third and final section of the paper reviews the results of 13 years of reform. These include a marked decline in the quality of training, a response to declining public funding and poor supervision. There has been a decline in 'real', trade-based apprenticeships, despite a rapid expansion in aggregate student numbers. One of the more deleterious effects of the reforms has been the rise of a training regime which seems as much designed to cheapen labour costs, as to deliver portable qualifications. The regime is increasingly under question as to the 'link', if any, between the possession of a qualification and the possession of the skill which the qualification supposedly signifies.

## The Rise and Fall of the National Training Reform Agenda

### *The Problem of Training Policy in Australia*

Training reform in any developed country faces a crucial structural problem, endemic to capitalist economies. Within 'pure' (national) market economies, employers will be reluctant to invest in skill formation because the investment becomes the property of the worker, who may leave for another employment situation. The danger here is that the investment is not only lost, but lost to a competitor. Therefore, the most rational course of action from the point of view of the individual employer is to *recruit* skilled labour, and not to train. However, because each employer seeks to recruit, and not train, the consequence is underinvestment in training, and under-supply of skilled workers. It is therefore unlikely that employers' individual skill formation activities will sum to a 'rational' solution to the collective problem of national skill formation (Streeck, 1989: 92-96; 1992: 254ff, 262; Crouch *et al*, 1999: 24-26). In addition, with the advent of 'globalisation', or more specifically the spread of commercial activities across national boundaries, many firms' training strategies may well be at odds with the broader economic development strategies of nation states.

Ideological shifts exacerbate these structural problems. Employers have become increasingly inclined to extract advantage from, and to seek control over, training and skill formation processes. Modern human resource management stresses the 'strategic training' perspective, in which training needs analysis and evaluation (allegedly<sup>1</sup>) minimises training activity that is not directly targeted on organisational needs (eg Blanchard and Thacker, 1998; Noe, 1999). Training has also become integral to 'attitude' formation, 'corporate culturism' (Willmott, 1993), and the shaping of firm identity.

Employers may therefore tend not to cooperate with *national* skill formation initiatives, as these may distract from firm-level initiatives. On the other hand, employers can be enticed through subsidisation to offer employment and 'training'. But this risks the degradation of 'training' as advanced skills formation, to 'training' as *employment* creation, and this can lead to poor training quality, particularly where the training is weakly regulated (Crouch, *et al*, 1999).

These challenges of training reform arose as political issues for Australia in the mid 1980s. Amidst concerns about industrial restructuring following tariff reductions, certain weaknesses in Australia's work organisation, and skill formation processes, were widely recognised, and were politicised by employers. The award system cemented 'job territories', divisions between 'skilled' and 'unskilled' workers, and between members of different unions. All this, employers argued convincingly, inhibited 'flexibility' (eg BCA, 1987, 1989a, 1989b). When the union movement indicated, in 1987, that it too sought change to some of these structures, the way was clear for sweeping work reorganisation and training reform (ACTU/TDC, 1987).

Australia's training arrangements and their weaknesses were as follows. *First*, most training was accomplished through the apprenticeship system, which was vulnerable to the following criticisms. It was centred on initial training, aka. 'front end training' as opposed to 'lifetime learning'; to 'serving your time', as opposed to demonstrated competence (Dawkins, 1988: 4-7; 27-29). Except for hairdressing, access to the trades was limited to young males, and lacked gender equity (ACTU/TDC, 1987: 121-122). Training for non-trades workers was limited to 'on the job training' via the 'buddy system' (Smith, 1983: 4), which was unsystematic, uncomprehensive, haphazard and quite possibly unsafe.

*Second*, the training system was plagued by under expenditure, in part due to 'market failure'. Australia's employers have historically been reluctant to spend on training, viewing the latter as a cost, as opposed to an investment in 'human resource development' (Dawkins, 1988: 4-5, 9-14). *Third*, there was a yawning gap between schooling and work, with no structured transition between the two. This led to charges of irrelevance of training/education by employers, which were often justified, as new labour market entrants lacked immediately usable skills (Dawkins, 1988: 6). The availability of skilled labour also moved with the economic cycle, as employers cut apprenticeship intakes in times of recession, which exacerbated labour shortages in boom times (Ewer, *et al*, 1991: 23-25).

*Fourth*, Australia lacked a unified national approach to training, in particular institutional mechanisms to ensure transfer and recognition of

skills (Dawkins, 1988). According to the Constitution, education, training and the Apprenticeship system is the responsibility of the States (ABS, 2000: 263). Each State had its own Technical and Further Education (TAFE) system, the main source of off the job training, and qualifications gained in one jurisdiction might not be recognised in another. Thus (short of constitutional reform via referendum, an unlikely prospect) any attempt to reform the system towards national integration would require degrees of cooperation unlikely in Australian politics, notwithstanding that the Germans manage precisely such coordination between the *Länder*.<sup>2</sup> This undermined the bargaining power of individual workers, since the absence of wide recognition for their skills limited their employment options.

### *Training Reform: The Union Proposals*

The origins of the NTRA lie in the industrial politics of the 1980s, and understanding the progress of training reform requires revisiting this period. In some respects, the conditions for reform were favourable. The ALP was in Government, and key elements of the union movement (notably the AMWU and the ACTU) were favourably disposed to training reform, and to institutional change at the level of industrial relations, under the Accord. However, the unions had endured considerable frustration under the Accord arrangements. The unions wanted a more interventionist posture from the Australian state, particularly over industry policy, but the Hawke/Keating Labor Government pursued financial deregulation. In 1987 the union movement issued a crucial document known as *Australia Reconstructed*. This document criticised the misallocation of investment attendant on deregulation, and directed attention towards a number of problems in Australia's skill formation arrangements. Perhaps the key idea of *Australia Reconstructed* was that the twin goals of economic efficiency and shoring up union power and relevance could be met simultaneously – indeed, that they were interdependent (ACTU/TDC, 1987).

Training reform was central, since a centralised training system that facilitated skills portability would improve workers' bargaining strength, and their contribution to productive activity at the same time. Coincidentally, the OECD also advocated the construction of such an external market for skills (OECD 1988). But as argued above, successful training policy often requires assertion of state power over employers. The Australian state clearly lacked this autonomy, in part because of the reforms it had itself put in place through the 1980s, in part because of constitutional limitations on Federal government power. Lack of state autonomy would impede the attempts at reform.

In addition to broad political and institutional changes, training reform implied a number of industrial relations reforms, notably award restructuring (ACTU/TDC, 1987; DIR/MTFU/MTIA, 1988: 9, 43). Awards needed to be re-written to enable shifting between job classifications, and to encourage upskilling. To this end, skills-based career ladders, to which pay rates would be linked, were central. The guide to restructuring the Metal Industry Award (AMWU, 1988), which would act as a 'template', outlined several important guiding principles. *First*, career paths should allow progression from the lowest levels to the highest through skills acquisition. *Second*, tradespeople would be able to widen the range of tasks they can undertake through 'broadbanding' of job classifications and skills. *Third*, payment systems would be designed to encourage skills acquisition and length of service, by linking acquired skills and qualifications to pay, on the principle that workers should be paid for skills they had acquired, rather than those the employer necessarily wanted to use. *Fourth*, the classification system should be sufficiently broad and flexible to accommodate changes to technology and management systems. *Fifth*, and crucially, a national training system should be developed to provide accreditation and inter-enterprise (and cross-award) carriage for credentials (DIR/MTFU/MTIA, 1988: 18; AMWU, 1988: introduction, also see Ewer, *et al*, 1991, ch. 7). *Sixth*, implementation of competence-based assessment would facilitate comparison of qualifications and skills. Jobs and skills would be described in the language of 'competency standards', borrowed directly from the British system of National Vocational Qualifications (NVQs). 'Objective' measures of 'competency' would become a means for individual employees to increase their wages, once it had been established that employers would have to pay for skills a worker *possessed*, rather than those the employer necessarily *used*. Recognition of prior learning (RPL) procedures would extend qualifications to previously unqualified, but not necessarily unskilled, workers. This would, it was hoped, make it rational for employers to utilise those skills they were paying for in high-skill production, and impose a 'virtuous cycle of upward industrial adjustment' on the economy (cf Streeck, 1987; Ewer, *et al*, 1991).

The unions wanted employers to increase their contribution to national training expenditure. They proposed a National Employment and Training Fund, into which employers would pay a levy, and from which training would be funded. Employers would only be able to draw back 80% of their contribution, and only after their employees and unions agreed they had delivered bona fide training (ACTU/TDC, 1987: ch. 4, p.124). The presence of a system of workplace level supervision of training activity by forms of

worker representation was a major strength of this proposal, which has some similarity to the German system, and which might have helped prevent subsequent abuses. However, such a high degree of 'intervention' was against the ideological climate of the time. And the Government, arguing that its contribution was already internationally comparable, sought greater contributions from 'industry' – ie employers *and* employees (Dawkins, 1988: 34-37). This implied a levy for employers, and below award 'training' wages for employees. The latter, of course, unions were not immediately about to concede (see ACTU/TDC, 1987: 126). The Government opted for a levy imposed through the tax system, and enacted the *Training Guarantee Levy Administration Act, 1990*. This act required firms over a certain size (\$200,000 payroll) to allocate 1.0% of their payroll to 'structured' (ie certified and accredited) training, or pay it to the Australian Tax Office (ATO). This was a far weaker scheme than the ACTU had proposed.

In the TGL scheme, training would be assessed and accredited by Registered Industry Training Agents (RITAs), who would verify to the ATO that the training programs met the criteria for deductibility. The RITAs were composed of representatives of employers and unions, and were accredited by a National Training Board (NTB). In 1990, Ministers of Vocational Education, Employment and Training (MOVEET) agreed to adopt a national approach to the recognition of competencies, and in 1992, they adopted the centrepiece of the NTRA – the National Framework for the Recognition of Training (NFROT). Its function was to ensure national integration of training outcomes, expressed as competency standards, in an Australian Standards Framework (ASF) (Allen Consulting, 1994: 22). The ASF, developed by the NTB, proposed 8 levels of competence (NTB, 1991). Building on this, the report of the Employment and Skills Formation Council (ESFC), advocated moving to a national system of CBT. It recommended that the traineeship and apprenticeship systems be merged into a new 'Australian Vocational Certificate Traineeship System (AVCTS)'. This would provide multiple pathways for career progression, with varying mixes of on- and off-the job training. Contentiously for the unions, the ESFC accepted the principle that employees should pay a share of the training, through below-award training wages (Carmichael, 1992).

In 1992 the Ministers of Vocational Education, Employment and Training (MOVEET) recommended the establishment of the Australian National Training Authority (ANTA), and the Government enacted the *Australian National Training Authority Act, 1992*. Part of ANTA's brief was to develop a National Strategic Plan for Vocational Education and Training, and this in itself was a tacit acknowledgement that the above-described institutions

were flawed. ANTA was also charged with administering funding for Technical and Further Education (TAFE) to the states, and to use that funding as a lever to enforce greater compliance with the reforms, in particular redesigning their courses to be competency based, and to strengthen cross border recognition. With this, the institutional complex of the NTRA was put in place, but already showing signs of break down.

### *The NTRA 'Breakdown'*

That the NTRA was in trouble was publicly acknowledged by the relevant minister Ross Free in 1993, when he noted that NFROT, the centrepiece of the NTRA, was clearly not working, and that the reform process was in danger of stalling (*Weekend Australian*, 3-4/4/93; Allen Consulting, 1994: 34). There were failures of institutional design. But notably, there was a philosophical and institutional clash between the centralisation implicit in the training reforms and industrial relations decentralisation. The two directions of policy were in stark contradiction.

As to the first point, constitutional limitations on Federal powers prevented the Government simply setting up the NTB as a statutory authority, with sufficient regulatory power to *require* firms to adjust their training programs to conform with the nationally imposed requirements of the NFROT. Rather, the NTB was set up as a public company, with a small secretariat of 15, under a memorandum of understanding by MOVEET, with a brief to *assist* industry to develop and implement competency standards (*NTB Network*, 1/6/91: 1, 10). If employers were not inclined to cooperate with it, there was little that could be done. Some employers simply paid the impost, and continued with established training practice. Some took advantage of the deductibility provisions, and their 'flexible' application, and much bogus training activity was allowed as genuine.<sup>3</sup> The TGL was suspended for 2 years in the 1994 budget, in part because of criticism that it was poorly policed. It was finally killed off by the Liberals, in August 1996.

During the operation of the scheme, many firms chose not to comply with any suggestion that their training articulate with national competency standards. There were a number of valid reasons for this, in addition to simple ideology and assertions of managerial prerogative. In many cases competency standards were poorly written and vague. Alan Godfrey, head of the NTB, observed that in many cases there had simply not been enough time to develop competency standards of the requisite quality to be the basis of firm's training programs. There had been 'trade-offs between quality of the initial standards and speed of endorsement' (*Weekend Australian*,

3-4/4/93). Worse, from the employers' perspective, was that training reform was associated with an explicit industrial relations and union agenda. This was, in a climate of wage restraint under the Accord, to secure wage rises for individual workers through reclassification, and to link pay rates to *skills acquired, possessed and accredited*, rather than *used*. Thus employers generally treated the whole process with suspicion, some of which was ideologically founded and some of which was associated with the real costs and difficulties of compliance (Allen Consulting, 1994: iii).

We turn now to the tensions between industrial relations decentralisation and training reform. On commencing its political incumbency, the ALP quickly put in place a highly centralised industrial relations system, particularly with respect to wages, with the Accord at the centre. *Australia Reconstructed* could be regarded as the apotheosis of this centralisation. From 1987 the BCA mounted its campaign for 'enterprise bargaining', and firm-specific training (BCA, 1990). It does not need to be described how the Government, and even the ACTU, came out in favour of 'enterprise bargaining'.<sup>4</sup> But some more subtle points need to be drawn out.

The Industrial Relations Commission was another institution that could have helped develop a national training system, by ensuring that the training programs that were regulated in the rewritten awards aligned with national standards. But it seemed not to see it as part of its brief to do so. As mentioned above, one of the main union goals in the training reform process was to gain a wage rise through reclassification or through RPL, on the principle that employers should pay for skills a worker possessed and was accredited with, rather than those the employer wanted to use. Employers strongly resisted this principle, and the Commission, it seemed, was not inclined to cement this link in the restructured awards.

In the 1988 National Wage Case, associated with Accord Mk 4, the Commission made wage increases conditional on 'award restructuring', under what was known as the 'structural efficiency principle' (SEP). This principle sought to encourage multiskilling, and the establishment of skill related career paths. This appeared congenial to the ACTU and the union training reformers, since it provided a mechanism to implement *nationally oriented* training reforms at the workplace, through awards and agreements. Initially, indeed, the Commission accepted the ACTU blueprint for award restructuring (ACTU 1989), which outlined how revised job classifications, competency standards and career ladders could be aligned across awards, to create a national system of accreditation, in which competency based qualifications would be linked to pay through awards. But eventually, the BCA was able to convince the Commission that a far wider range of matters

than training reform should be on the table for negotiation during award restructuring, notably the question of 'flexible hours' (Wages Policy Branch, Department of Industrial Relations, 1992: 22).

Another key to a training regime congenial for workers was paid training leave, a statutory requirement in such countries as France, and one sought by the union reformers (DIR/MTFU/MTIA, 1988:19). With poor timing, paid training leave was a matter of contentious negotiations over the restructured Metal Industry Award on the eve of the 1990 election. The union negotiators sought that training be regulated by the award; that awards specify that training should be undertaken with reference to the NTRA and the NFROT; and that the restructured award contain provisions for paid training leave. This was important outside the Metal Industry, as the restructured-award was to be a template for others. Employers resisted, and these issues spilled into the public arena. The media focussed on the issue of the ALP's and ACTU's inability to 'control the unions'. The union negotiators were pressured to drop their demands, as preserving the ALP's political incumbency took precedence over union interests in the training provisions in the restructured and exemplary award (Ewer, *et al*, 1991: 58; Lloyd, 1990). Thus the provisions regarding training entitlements and the reference of training standards to the NTRA in the 'restructured' metal industry award were considerably weakened as a result.

### *Deregulating the National Training Reform Agenda*

From 1993, the centralist thrust of the NTRA unravelled, as the BCA campaigned to enable its member companies to decouple from the national training system, a major policy thrust by the Government explicitly linked training and employment policy, and a key review cemented the economic liberal thrust of training policy.

As to the first point, the effective secession of major firms could not be done too openly, lest the Accord partners politicise the companies' lack of commitment to indigenous skills development. Thus the BCA argued for the right to 'self accredit' training programs, and to develop 'enterprise-based' training 'within' the NTRA (*Australian Financial Review*, 17/8/93). At one level the claim to develop 'enterprise-based nationally-integrated and transferable competency standards' tended towards the oxymoronic. At another, it recognised two realities: first, that under existing regulatory arrangements, large companies could not be forced to comply with the NTRA's goals of national integration, and second, that the Accord required sustaining the fiction that BCA companies would be part of the NTRA.

Despite objections from the ACTU that the resulting regime would be too deregulatory, leading to reduced quality and transferability of training (Allen Consulting, 1994: 103), ANTA endorsed the proposal, and it was accepted by the NTB and MOVEET, and indeed by the Government (Keating, 1994: 102; ANTA, 1994: 11).

As to the second point mentioned above, *Working Nation* funded 50,000 new entry-level places in the embryonic AVCTS, and forged the links between training and employment policy that would endure through the Coalition Government. The basic idea is that the long term unemployed are forced into training and 'job placements', where they are unemployed no longer. This massages the politically sensitive unemployment statistics. But in this process, there is great danger that the trainees/unemployed will be exploited, and that the quality of training will be low. Since such schemes are dependent on the cooperation of employers, the very definition of 'training' becomes malleable, and sometimes indistinguishable from degraded labour. And the quality of qualifications becomes a major issue. As an approach to employment creation, it is doomed, because it does little to increase the *supply* of jobs, except by lowering labour costs. At most, it confers a positional advantage on the trainee, thus shunting the problem of unemployment from one unemployed person to another.

The centrepiece of *Working Nation* was the *Job Compact*, according to which the Government undertook to provide the long-term unemployed with a job or with training in the private sector for 6-12 months, to make them 'job ready'. In return, the unemployed have to accept the job or the training, or face loss of unemployment benefits. After the training and placement, there was to be intensive assistance and referral to suitable vacancies. The major mechanism was to extend an already existing program known as *Jobstart*, which already provided employers with wage subsidies to take on 'targeted' persons, in particular long term unemployed (Campbell, 1994: 14). Training wages were set at 80% of award wages. This was a concession from the union movement, albeit disguised by the argument that the trainees were being paid full rates for work, but less for the training component. Thus the principle that the burden of training expenditure was to be shifted to trainees was accepted. When the two are combined – wage subsidies plus a training wage – the effect was to dramatically lower the cost of employing a trainee – to, on a worst (or best, as portrayed by the Government) case scenario cited in the papers, as low as \$10 per week (Campbell, 1994: 14).

To receive wage subsidies, and enforce the training wage, employers had to provide training linked into the AVCTS. However, the definition of

'training' was quite flexible – "formal instruction, both theoretical and practical, and supervised practice". As Campbell (1994:15) points out, the notion of 'supervised practice' could be indistinguishable from paid labour. Because the greater the amount of training, the less the employer had to pay, there was an incentive to increase the proportion of the latter, and to define work as training. Further, there was an incentive for employers to 'churn' trainees, and to sack them (on some pretence) once they had done their 'training', to provide a new 'placement' to a new 'trainee', for a new lot of subsidies. Thus Campbell (1994) expressed concern that the scheme would encourage a kind of 'labour market deregulation by the back door', both undermining wages and the quality of training, as well as driving down the 'low road' of economic development.

In response to serious doubts about the efficacy of the training reforms, (and as to the third point mentioned above), Minister Ross Free in 1993 instructed ANTA to commission a review of the NTRA. The outcome was the Allen Consulting Review, *Successful Reform*, which foreshadowed a major, indeed startling, shift in policy, notwithstanding that it was framed for 'maximum complementarity' with the *Working Nation* reforms (Allen Consulting, 1994: i). It heavily criticised the forgoing NTRA, while setting the scene for further marketisation and employer domination of the training system under the Liberals.

The Allen review was scathing in its assessment of the NTRA. The review pointed to "dysfunctions in the chain of reform" (p. 43), arguing that "key elements in the chain of reform are not working well together" (p. 35). It argued that the NTRA was not clearly defined (p. 18). Some objectives, the report noted, "are imprecise or obscure and do not form a satisfactory base on which to build practical strategies" (pp i, 15). The review criticised the NTRA for its overly bureaucratic, 'top down' policy approach, with unclear objectives and various institutional arms of the training bureaucracy uncoordinated or at cross purposes. Echoing Minister Free's 1993 statement, it argued that the NFROT – ASF and NQF – were not working. Additionally, there were too many training 'pathways' (Apprenticeships, Adult Traineeships, Pilot AVCTs). In sum – "key elements of the chain of reform have not been working well together, especially the ASF – and the NFROT – the mechanisms for accreditation of courses, recognition of training programs and registration of providers are not well understood or accessible. Assessment of programs was a major unresolved issue, and insufficient attention had been paid to the NQF." (Allen Consulting, 1994: iii, 35). Employers were reluctant to engage with the reforms

because they exposed them to union intervention. Business thus lacked 'ownership' of the reforms (Allen Consulting, 1994: iii, 35-37).

Crucially, the Review rejects the usual market failure arguments for government intervention and public spending on training (p. 8). Instead it recommends an approach to training policy heavily informed by what Marginson (1992) sees as 'third wave' human capital theory. It recommended a thoroughgoing marketisation of training, subject to the principles of 'Hilmer' Competition Policy – ie contestable markets, and contractual relations between suppliers and purchasers, with consumer protection principles (Hilmer, *et al*, 1993). Marketisation and 'user choice' would ensure quality of training outcomes, and that training met employers' and trainees' needs.

Australian policy should develop a training market around direct client relationships between training providers on one hand, and enterprises and individuals on the other – and in which skills held by individuals are publicly recognised and portable to the maximum extent possible (p. iii).

Greater employer 'ownership' was to be attained by increasing their control, in particular their presence on ITABs, and generally making the training system more congenial to them. Employers had resisted the unions' aims to link payment and skills. The ACTU gave ground on this – the review summarised the ACTU's position, which "supported a position of payment for skills used, but clearly accepts that remuneration will reflect skills acquired and used, not simply skills acquired" (Allen Consulting, 1994: 103). In July 1994, MOVEET broke this link. The Allen Consulting Report suggested the biggest impediment to employers spending on training was wage inflexibility, and here it applauded the mechanisms *Working Nation* set in place – the training wage and wage subsidies.

Relatedly, and crucially, employers were uneasy about the tension between national training requirements (embodied in the ASF and national or industry competency standards) and their own training autonomy. This tension, integral to any national training system was to be ameliorated through 'flexibility'. The review affirmed support for the goal of accredited training, portable 'to the maximum extent possible' (Allen Consulting, 1994: iii-iv; 35-37). But the *limits were to be set by the needs of the enterprise*. Thus the 'strategic training' perspective attained supremacy over public policy goals, although disguised by suitable hand-wringing and expressions of caution.

No one is clear about how far a national course can be varied in content to meet the specific needs of an enterprise, while retaining integrity as a course leading to a qualification (Allen Consulting, 1994: 25).

This tension sets up difficulties of assessment and recognition. To allow the needs of the enterprise to be uppermost, the format for the description of competencies needed to be simplified, and competencies need to be described in more generic, less prescriptive terms. Thus it was recommended that there should be a common set of competencies for ASF levels 1-3, but upwards of that, only 'broad comparability' between specified competencies is necessary (vi). This 'broad comparability' would ensure that providers of training had "the freedom and the will to tailor and customise training responses to enterprise demand yet deliver publicly recognised training at the same time" (Allen Consulting, 1994: 39). The outcome could well be misalignment between skills and qualifications, that rendered the latter suspect.

## **Reform Phase 2: Marketisation under the Liberal/National Coalition Government**

There is considerable continuity between the ALP and the Liberals in terms of training reform: many of the Liberals' reform measures were actually foreshadowed or even proposed under the ALP administration, particularly in *Working Nation*, and amplified in the Allen Consulting review. However, the Liberals were willing and able to pursue the path of liberalisation of training and industrial relations further than the ALP. Most notably, the Liberals sought to break the hold of unions and the industrial relations system on training, and surrender it to employers. They asserted that "business needs to be in a much stronger position to influence training policy and planning, and individual enterprises need to have more say in how training is delivered" (Kemp, 1996: 8). However, and perhaps fortunately, the dispersed nature of political power in Australia, in particular the presence of an upper house, controlled (mostly) by the Liberals' political opponents prevented the implementation of the most extreme of their proposals.

### ***Labor's Institutions Demolished***

One of the incoming Government's first initiatives was to slash the labour market programs set up by the Labor Government under *Working Nation* over the next 4 years, and to use some of the money to fund the then-new

Modern Australian Apprenticeship Training Scheme (MAATS). A report by the Employment and Skills Formation Council (ESFC) on the effectiveness of the programs paved the way for their dismemberment in the Budget. According to the report, resources were wasted on the case management of individuals who could never benefit from it. Immediately after their job 'placement', many of the participants rejoined the ranks of the unemployed. While this arrangement favourably affected long-term unemployment statistics, it simply shifted the unemployed through different categories. The report also criticised the *Working Nation* program for allowing employers to abuse subsidies paid under the system to encourage training. Some evidence indicated that employers simply took the subsidies, used and gave the 'trainees' as sources of cheap subsidised labour, giving them only 'bogus' training (*The Australian*, 5/8/96). The Liberals abolished the Employment and Skills Formation Council, and with it a significant slice of the Training bureaucracy, including the National Board of Employment, Education and Training (*The Australian*, 5/8/96). ANTA's budget was significantly reduced (*The Australian*, 19/8/96). From these savings, funds were to be directed to MAATS, which was to become the centrepiece of Government attempts to remedy youth unemployment (*The Australian*, 8/8/96).

MAATS, or as it later came to be known, New Apprenticeships, is not to be confused with the 'old' apprenticeships, which were based on the trades model, and heavily regulated through the industrial relations system. New Apprenticeships differ in a number of respects. *First*, many of them have been implemented in non-trades areas, like retail and hospitality. *Second*, training is for much shorter periods of time. *Third*, they are characterised by greater degrees of choice, in which employers and employees can choose training providers, and are not limited to public providers like TAFE. *Fourth*, they offer more 'flexible' mixes of employment, training and schooling, and more 'flexible' mixes of modularised courses. *Fifth*, and significantly, they relax obligations on employers to pay for training. More precisely, *in principle* employers only have to pay employees while they are actually 'working' – they do not have to pay when employees are at work and being trained. And "[w]here the wage of an apprentice or trainee employed under these new arrangements is reduced below a specified level because of increased time in training, the Government will provide a wage top-up, recognising the broad social benefit resulting from increased time in training" (Kemp, 1996: 3). The full implementation of MAATS was dependent on major industrial relations reforms, to which we now turn.

### *Industrial Relations Reforms*

Two aspects of industrial relations reform are crucial – award simplification, and the move to individual contracts, known as Australian Workplace Agreements. The aim was to shift training regulation from the industrial relations system to ‘training agreements’, that would be overseen by State Training Authorities.

These intentions were revealed in the negotiations over the new *Workplace Relations Bill*, which was the subject of considerable public disquiet, and was presented to the Senate in 1996. Awards would regulate only 6 matters, and training would not be one of them, although the training wage would be regulated through awards (Kemp, 1996: 5). Income support measures for trainees, up to National Training Wage levels, would only be available for trainees employed under Australian Workplace Agreements or Certified Agreements (non-union collective agreements) (Kemp, 1996: 6). In the event, the Senate passed a diluted version of the Bill, in which awards would regulate ‘20 allowable matters’, of which the first mentioned was ‘job classifications and career paths’ (*Workplace Relations Act, 1996*, s89A). This remains the basis for potential award regulation of training, although the actual extent of award regulation of training is not high,<sup>5</sup> and the Government has been actively trying to discourage it. In any case regulation would only ensure alignment of training programs with national standards, if it was enforced by some actor with a presence at the workplace that could enforce the aims of collective public policy. With large business preferring to take greater degrees of control over its own training, this became a formidable political problem.

### *The Reform of Training Institutions under the Liberals*

The training reform agenda was reformed following the Allen Consulting Review, in 1994, and a ‘new’ strategy was put in place to last from 1994 to 1997. This strategy was in place when the Liberals acquired political incumbency. Another ‘new’ strategy, to last from 1998 to 2003, was put in place, known as ‘*A Bridge to the Future*’. The key initiatives are ‘training packages’, strengthening the Australian Recognition Framework (ARF), and New Apprenticeships, and extending the latter into schools. The aim of ‘increasing investment’ is at odds with its counterpart, ‘growth through efficiency’ (see ANTA, 1998).

Training packages include competency standards, teaching resources, assessment guides, and so on in a form that could be purchased ‘off the shelf’ – from ANTA’s business arm. The training packages were to be nationally endorsed by ANTA’s Standards and Curriculum Council, and

developed by Industry Training Advisory Bodies (ITABS), and in some cases Registered Training Organisations (RTOs) (training providers) and even some enterprises which have met the appropriate criteria (ie, have been defined as RTOs). They were to be designed to break out of the 'trade' based 'vocational' training, and to move from centralised, limited course accreditation, to the use of registered providers, who would use flexible, industry designed packages. Although the training packages specify which combinations of competency standards make up the qualifications of an industry, the rules are sufficiently flexible to allow enterprises and individuals the greatest possible scope to combine standards towards a qualification. This would allow employers to design combinations of competencies directly in accord with their needs (following the 'strategic training' perspective), which could lead to highly idiosyncratic combinations of competencies. This could defeat the objective of comparing skills and qualifications in a *national* skills market.

The Allen Consulting Review pointed out that under Labor the crucial function of national recognition had essentially failed to work. The review recommended renewed development of the Australian Recognition Framework (ARF). In 1997, the Liberals abolished the Australian Standards Framework, in the context of the development of a new 'Australian Recognition Framework' (ARF), and Australian Qualifications Framework (AQF). The then new AQF was a 6 level framework, running from certificates 1-4, with diploma and advanced diploma (but not degree). Thus, the old dream of the union reformers of a career path starting on the shop floor and ending with an engineering degree was finally lost. The reinvigoration of the AQF was a central goal, but, as we will see, the incentive structures within which it was set severely compromised its workings.

The Allen Consulting review also, perhaps paradoxically, insisted that the recognition requirements – that training programs align with national standards and qualifications – were too onerous for employers. Therefore, one of the review's major recommendations was to relax them. The irreducible tension between nationally recognised and strategic training was dealt with by having more relaxed definition of competency standards, and more 'flexibility' in their enforcement. This expressed itself in the post-1998 National Strategy as, essentially, a delegation of recognition powers to the RTOs. These had to be registered under a State authority from Jan 1 1998, and were called upon to *self assess*, and to '*self manage training recognition*'.

But this certainly imposed too great a load on the ethics of at least some RTOs to resist the competitive pressures which would compromise the

assessment process. Consider: the Liberals' reforms were underpinned by the principle of 'user choice', in which trainees and employers could choose a mix of work, training and schooling, and a training provider 'appropriate to their needs'. A pool of money was available for the funding of the new apprenticeships, which was largely to be paid in the form of wage subsidies to employers. We have already seen that the training was further subsidised by low training wages, and the relaxation on the employer to pay for time spent in training. The training providers operate in a market, in competitive relations with each other, and tender for training contracts. The training providers, or RTOs, once recognised and accredited, are entrusted with the responsibility to self-assess, and to 'self manage' training recognition, essentially free from external interference.

But here is a mix of incentives lethal for quality training. Employers have an incentive to take the wage subsidy, and define work as training. However, as a condition of receiving the subsidy, they have to ensure the provision of 'structured' (ie nationally accredited) training. Whether the training meets this criterion is decided by a RTO, with a structured conflict of interest. The RTO provides the training, and assesses whether trainees meet the appropriate criteria. But if it insists on high quality, and therefore more expensive, training and assessment, it risks losing its contract to its competitors. The incentive is for the RTO to pass workers not properly qualified, or 'trained' in activities hardly accurately described as training – in other words, to issue bodgy qualifications. Such was the hold of economic liberalism on training policymakers that this crucial conflict of interest remained at the centre of the mechanisms that were supposed to ensure 'quality' of training.

### **Outcomes: The Decline of Training in Australia**

The training system has advocates among the Government and employers, who claim that Australia now has the "one of the leading national training systems in the world" (*Australian Financial Review*, 31/1/00). The former Minister for Education and Training, David Kemp, put the point forcefully in the *Australian Financial Review* (31/1/00). Kemp quoted 'official' figures from the September quarter 1999 showing that there were 286,100 apprentices and trainees in contracts of training, which is up from 203,600 a year ago. Kemp was quoted as claiming that this represented a 40.5% increase in the number of 'apprentices' since the same quarter last year (*Australian Financial Review*, 28/1/00), an increase of 60,000 'apprentices' since the start of the Government's scheme in 1996. The NCVET similarly

points to a 77.4% increase in the number of 'students' in the VET system between 1991 and 2000 (NCVER, 2001: 4), and a 5.6% increase in subject enrolments and 4.6% increase in annual hours since 1999 (NCVER, 2001: 11). It certainly seems as if a revolution in training has occurred.

However, the way the figures are presented is misleading, and sometimes deliberately so, one suspects. *First*, the strong increase in trainee numbers is not matched by a corresponding increase in funding. NCVER proclaims proudly that the increase in expenditures was 'under 4%' (NCVER, 2001:15). The restraint in training expenditure is a deliberate consequence of the funding strategy of 'growth through efficiencies', imposed by the Government on the 1998-2000 ANTA agreement. As a result, \$70 million dollars per year of growth funding was removed from the training system (SEWRSBERC, 2000: xxiv). Considine *et al* (2001: 29-30) trace the association between the dramatic increase in student numbers and the fall in funding. Between 1990 and 1999, the numbers of students in publicly funded VET institutions grew from 966,800 to 1,647,720. Between 1990-1, and 1997-8, Government expenditure on training per course hour fell from \$9.34 to \$7.73, a decline of 17.3% in real terms (ABS 2000, in Considine *et al*, 2001: 4, 29-30). VET income per course hour fell from \$11.24 in 1996, to \$11.03 in 1997, to \$9.82 in 1999, a fall of 11% in only 2 years. Taking into account trends in private support for VET activity as well, between 1997 and 1999, public source incomes fell by 2.2%, while total income from student fees and charges and other fee for service activities fell by 2.6%. Not surprisingly, teaching effort increased, with student numbers up by 11.9%, and student hours up by 9.6% (Considine, *et al*, 2001: 29). It would be surprising if this did not put strain on the quality of training, and we will return to this point.

URCOT (1999) describes the change in expenditure on continuing training. Total training expenditure (as a percentage of gross wages and salaries) rose from 2.2 in 1989, to 2.9 in 1993, before declining to 2.5 in 1996. The rise between 1989 and 1993 can be attributed to the operation of the Training Guarantee Levy, which, as described above, required employers to spend a percentage of their payroll on training, or forfeit the balance to the tax office – to 'use it or lose it'. There is much anecdotal evidence that the definition of expenditure on training for taxation purposes, and *bona fide* training expenditure, are different things. Supporting this view, despite the rise in training expenditure between 1989 and 1993, training hours per employee actually fell, from 5.7 to 5.6, before falling further to 4.9 in 1996. There are also concerns about the quality of this training – 71% of wage and salary earners received on the job training in 1996, while only 33%

received 'structured' in house training, and 20% received structured external training (URCOT, 1999: 8-9).

*Second*, the dramatic increase in trainees or, as they are called, 'new apprentices', fails to distinguish between traditional trades training, non-trade 'trainees', and the category of 'new apprentices'. Disaggregation reveals a decline among traditional trades-based apprentices from 136,664 in 1980, to 123,100 in 1997, and that the categories of fitting and machining, other metal, electrical and building have declined since 1988, while clerk and retail *traineeships* have increased considerably (URCOT, 1999: 7). As URCOT (1999) notes, official pronouncements (eg NCVER, 1998) obscure these distinctions, and the failure from 1998 to collect independent statistics on traditional trades apprenticeships is probably deliberately obfuscatory, since it disguises the decline in traditional trades-based training.

*Third*, and relatedly, the training completed is often at very low levels. Bill Mansfield, a member of the Australian National Training Authority, and an ACTU official questioned the Kemp analysis (*The Australian*, 21/4/99). Mansfield claimed that the bulk of traineeships were at level one and two, which is only entry-level training, perhaps only 150 to 200 hours, and insufficient to deliver the skills needed in traditional industries. NCVER data support this – only 21.3% of student enrolments were at AQF certificate IV level or higher (NCVER, 2001: 10).

*Fourth*, and as described above, employers have an incentive to employ 'trainees', attract whatever subsidies were offered, use the trainees as cheap labour, and to define this activity as training. Lax supervisory structures and processes permit this, as recent evidence suggests. This has become a political issue. In Parliament on February 11, 1999, Labor Senator Kim Carr tabled evidence of misuse of the Government's training schemes by employers (*The Australian*, 12/2/99). Carr claimed that employers were putting *new and existing employees* into training schemes, claiming subsidies and other benefits from the Government (in particular the State Government of Victoria), paying trainee wages while employees were working 'normally', but not supplying training as required by the scheme. In some cases, credentials were issued despite that the training was substandard or *even non-existent*. Carr claimed the 'rorting' of the scheme is widespread, throughout the printing, meat, manufacturing, hairdressing, and retail industries (*The Australian*, 12/2/99). Among the reasons for this were the reductions in staff in the Department of Education, Employment, Training and Youth Affairs (DEETYA), and a change of Government policy in August 1998, which enabled employers to make existing employees into trainees and apprentices (*Sydney Morning Herald*, 12/2/99).

Through 1999 and 2000, a series of reports by consultant Kaye Schofield (1999; 2000), and a Senate Select Committee (SEWRSBERC, 2000) reached remarkably similar findings. Schofield argued that State and Federal Governments could not be confident that the delivery of traineeships conformed with contracts and regulations. Summarising briefly these voluminous reports, it was found that employers and RTOs often breached the user choice contract and of the requirements of the Australian Recognition Framework. There was inappropriate use of traineeships for existing workers, and in some cases there may have been fraud against the Commonwealth and State Governments. The Schofield reports recommend auditing all registered training organisations (RTOs) to ensure their compliance with the ARF, because of persistent breaches – in Queensland, for instance, 19% of trainees received no training from their RTO, despite being issued with qualifications. Many RTOs minimised their obligations in terms of delivery and assessment. One would expect this, given the structured conflict of interests in which many RTOs found themselves.

The Senate inquiry concurred with many of these points, but went further. It described as ‘obvious’ (SEWRSBERC, 2000: xxvi) the conflicts of interest described at the end of the last section of this article. It noted evidence of a certain amount of unethical practice, and that the “requirements for ensuring that conflicts of interest are ethically resolved are not adequate, and the requirements that do exist are not being adhered to” (SEWRSBERC, 2000: xxvi). The old problems of mutual recognition of courses, qualifications, and now Registered Training Organisations (RTOs) remain (also see ANTA, 2000). As the Senate report noted, state training authorities have adopted widely differing approaches to registration of training organisations, auditing and other forms of supervision, and enforcement of adherence to the NTF. There are therefore differences in the availability of training packages, differences in nominal hours and therefore funds and training activity allocated to different courses and qualifications. This means it is impossible to assume equivalence, and therefore portability, of qualifications and skills from one jurisdiction to another. Relatedly, the emphasis on meeting the needs of employers is similarly allowing too much enterprise specific training to be done (at public expense), which, the Senate report argued, should be done by employers themselves (SEWRSBERC, 2000: xxvi-iii).

The Senate committee opted for a statist solution. It advocated abolishing the ARF, and replacing it with a ‘National Code for Quality in VET’. The inability of the Federal Government to force employers to comply with centrally determined training requirements is a major problem, given the

uneven enforcement by state training authorities. This, in turn, results from the accepted wisdom about the constitutional limitations of Federal power regarding education and training, as described earlier in this article. Legal advice taken by the Senate Committee was to the effect that there is an inadequate legal basis for the ARF. Therefore, it recommended a new legislative framework for the Australian training system, enacted under the Corporations and Territories powers of the Constitution (Sections 51xx and 122) (SEWRSBERC, 2000: xix). Whether such a legislative framework is constitutionally viable remains to be seen. The current deficiencies of the system, the Senate Committee argued, would remain unless such a new legislative framework was adopted. It is to be noted that the current round of acronym reengineering is proceeding in the absence of such a framework, making it highly likely that the same problems of the first and second 'training reform agendas' will recur.

## **Conclusion**

This article has described the drift of training policy reform from 1987 to 2001. The first period, under the last ALP government and the Accord, was hamstrung by the tensions that arose between the union-oriented reformers, and the Government, heavily influenced by economic liberal policy prescriptions. The latter derived, to a large extent, from the political efforts of powerful employer groups, like the BCA. The decentralisation of industrial relations was in stark contradiction with the centralisation, increasingly fictional, that characterised the training reforms. The ALP increasingly accommodated the employers' preferences for autonomy, and the needs of the Government to be seen to be 'doing something' about unemployment. These imperatives converged in the reduction of training policy to mere employment policy. Sadly, as the international literature indicates, this is precisely the wrong direction for training policy. Successful training economies have solved the problems of market failure, and the tensions between centralisation and decentralisation, often with some loss of employer prerogative. This, Australian employers were not prepared to tolerate. Because there was considerable economic liberal influence on the training policies, and the state was disinclined or powerless to resist this influence, there is considerable continuity between Labor and Liberal approaches to training reform, although the Liberals have taken marketisation and 'responsiveness to employers' needs' to new heights.

The training reforms of the past 13 years have seen the capture of genuine training and skill formation by the economic liberal/human capital model. Training reforms have increasingly emphasised that training reflect enter-

prise needs, with the result that the provision of intra-industry, and inter-firm transferable qualifications has been compromised. Perverse incentives and lax centralising mechanisms adversely affect the conduct of training, assessment, and the issuing of qualifications at workplace level. As the recent reviews of training outcomes indicate, training reform is indeed 'back at square one', albeit perhaps armed with a stronger sense of what to avoid.

## Notes

- 1 Strangely enough, research indicates these activities are rarely followed according to prescription (eg Smith and Hayton, 1999; Blanchard and Thacker, 1998). However, the general point remains.
- 2 German training arrangements are described in Crouch, et al, 1999, also see Culpepper, et al, 1999.
- 3 See section iv of this article for support of this claim.
- 4 The increasing hold of 'enterprise bargaining' on Australian industrial relations is detailed in Ewer, et al, 1991. Also see Hampson and Morgan, 1998.
- 5 In 1998, just under half of all registered agreements (48.5%) contained training related provisions. In over one third of both State and Federal agreements, training is mentioned. However, these provisions are rarely detailed, and most often simply contain general statements of intent about the future implementation of training, according to findings from ACIRRT's ADAM database (CCH, 1999).

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## **Appendix: List of Acronyms**

- ACTU – Australian Council of Trade Unions (peak union body)
- AIRC – Australian Industrial Relations Commission
- ALP – Australian Labor Party
- AMWU – Australian Manufacturing Workers Union (formerly Metal Workers Union)
- ANTA – Australian National Training Authority
- AQF – Australian Qualifications Framework
- ARF – Australian Recognition Framework
- ASF – Australian Standards Framework
- AVCTS – Australian Vocational Certificate Training System
- BCA – Business Council of Australia (peak body representing 100 largest corporations)
- CBT – Competence-Based Training
- ITAB – Industry Training Advisory Board
- MAATS – Modern Australian Apprenticeship and Traineeship System
- MIA – Metal Industry Award
- MOVEET – Ministers of Vocational Education and Training (Ministerial Council of State and Federal Ministers)
- NFROT – National Framework for the Recognition of Training
- NOOSR – National Office of Overseas Skills Recognition
- NTB – National Training Board
- NTRA – National Training Reform Agenda
- REP – Restructuring and Efficiency Principle
- RITA – Registered Industry Training Authority
- RPL – Recognition of Prior Learning
- RTO – Registered Training Organisation
- SCC – Standards and Curriculum Council
- SEP – Structural Efficiency Principle
- TAFE – Technical and Further Education (main public provider of training)
- TGL – Training Guarantee Levy