



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

**SOCIAL SECURITY AMENDMENT
(EXTENSION OF YOUTH ALLOWANCE
AND AUSTUDY ELIGIBILITY TO
NEW APPRENTICES) BILL 2005**

Second Reading

SPEECH

Wednesday, 11 May 2005

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Macklin, Jenny, MP

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Ms MACKLIN (Jagajaga) (9.43 am)—The Social Security Amendment (Extension of Youth Allowance and Austudy Eligibility to New Apprentices) Bill 2005—as its very long name suggests—extends eligibility for youth allowance and Austudy to full-time new apprentices. This was Labor Party policy before the last election, and we support the bill today.

Labor believe that all Australians engaged in education and training should be supported by a liveable level of income whether they are at school, university, TAFE, in vocational education or undertaking an apprenticeship. Unfortunately, evidence—whether it be empirical or anecdotal—suggests that many young people in particular are discouraged from taking on an apprenticeship or traineeship due to the low wages that they can earn.

Currently, full-time new apprentices are not able to access youth allowance as they have been classified as being in full-time employment. To access youth allowance, a person must be either unemployed or a full-time student. Likewise, apprentices are not currently able to access Austudy as they are not undertaking an approved tertiary undergraduate course. So this bill introduces a generic definition of ‘new apprentice’ into the definitions of the Social Security Act and then amends the relevant qualifications section to include new apprentices as a class of people eligible for youth allowance or Austudy. Under the proposal in this bill, new apprentices will be treated the same as full-time students for the rates payable. Income, assets and parental means tests will all be the same, including the classification of a person as ‘independent’, and rent assistance arrangements will also be the same. The rates payable range from \$178.80 to \$326.50 a fortnight, depending on the individual’s circumstances.

Most of the bill’s provisions treat new apprentices in the same way as full-time students are treated, but in one respect the government has chosen to give new apprentices inferior assistance. This is in relation to the amount of income that they can store in what is called their ‘income credit bank’ before it affects their fortnightly payments. At the moment, youth allowance recipients are able to accumulate a portion of their fortnightly income-free area. This accumulation forms an income bank. The income bank credits can then be used to offset any income earned that exceeds the fortnightly income-free area. What that all means is that, if a recipient of youth allowance has a fortnight when their income unexpectedly exceeds their usual arrangements—for example, if they take on an extra shift in that fortnight—they can use their available income bank credits to avoid a reduction in their benefits, so it is a very good system. The maximum that can be accrued by a student in their income bank is \$6,000. Unemployed job seekers have what is called ‘a working credit’ and the maximum working credit amount is \$1,000.

Under schedule 1, part 1, proposed sections 13 to 15 of the bill that we are debating today, the income credit bank applicable to new apprentices is unfortunately only \$1,000, compared to the \$6,000 available for full-time students. The government have not provided any explanation as to why they have chosen to treat new apprentices differently from full-time students, so today we are querying this approach. We will certainly not hold the bill up, but I call on the Minister for Education, Science and Training, when he responds after everybody has debated the bill, to fully explain to the House why new apprentices are being discriminated against in this way. Young apprentices could be particularly disadvantaged by this anomaly as they will be unable to bank very much of the additional income they might earn by working at different wage levels. This could be a particular difficulty, an inconvenience and an administrative problem for some apprentices engaged through group training arrangements where there are different sites under different industrial arrangements. I certainly hope the government will provide an explanation for the position that they have taken on the bill. Hopefully, as the bill proceeds through the parliament they may reconsider this arrangement.

There is another initiative that we welcome from last night’s budget which is of particular relevance to this bill. This is the reduction in the taper rate for youth allowance students and new apprentices and for Austudy and Abstudy recipients. What the government is proposing to do is to change the taper rate for income that these students and new apprentices receive. For income over \$316 a fortnight the taper rate is going to go from 70c to 60c in the dollar. This will certainly be beneficial. It will mean that for every dollar earned over \$316 a fortnight recipients of the youth allowance will now lose less of their benefit. It is a shame that it is not going to come into

effect earlier—it is not going to happen until 1 July next year—but it is the case that the reduction in the taper rate will help people receiving youth allowance to keep more of their allowance while they are still working.

That is good news. Unfortunately, that is the end of the good news because, although the minister, in the speech he has given to parliament, seems to be talking down the skills shortage facing Australia, most of the people I meet are very well aware that our country faces a very serious skills crisis. This is a crisis of this government's own making, a crisis born of their disregard for adequate investment in our skills base over a sustained period of time. At this stage I move the second reading amendment that is being circulated in my name:

That all words after "That" be omitted with a view to substituting the following words:

"whilst not declining to give the bill a second reading, the House condemns the Government for:

- (1) creating a skills crisis through a continued failure to provide the necessary training opportunities for all Australians during their nine long years in office;
- (2) their failure to ensure the quality of training in the New Apprenticeships Scheme;
- (3) ignoring the alarmingly low completion rates among New Apprentices; and

calls on the Government to provide apprentices on Youth Allowance and Austudy the same income bank entitlements as full time students".

Listening to the minister, I noted he seemed to be keen to blame the skills shortage—which is having a very serious effect on so many businesses around Australia—on everybody else but this government: it was either the states' or the unions' fault. He was always trying to pass the buck, not recognising that this government has been in power for nine long years. Let us go back to the start of this government's time in power and have a look at how little value this government has placed on training and apprenticeships. If you look at its first two budgets, in 1996 and 1997, you see it actually slashed \$240 million off the vocational education and training sector. It actually cut the funding going into vocational education and training. In the years following that we had the 1998-2000 Australian National Training Authority agreement, which abolished growth funding altogether and froze funding to the vocational education and training sector for the following three years. This is the history of what has created the skills crisis in this country. Of course there was no mention of any of this history by the minister. These funding cuts and the subsequent freeze have meant that more and more TAFE colleges have had to close some of their training facilities and certainly have had to turn away thousands of students—hundreds of thousands of students, in fact—from TAFE. Teachers and students have been put under extraordinary pressure. The quality of training and skills development in this country have certainly been threatened.

At the same time that we have had this government—the government that is refusing to take responsibility for the skills crisis that we face—cutting and freezing funds to vocational education, we have had businesses right around the country crying out for skilled staff. At the same time, we face a major shortage of TAFE places. This is the direct result of the cutting and freezing of vocational education funds by this government in its first few years in office. Nobody else is to blame. The government should look at its own record.

It is typical that the Parliamentary Secretary to the Treasurer, at the dispatch box today, is seeking to blame everybody else. This is the way the government is approaching the current negotiations with the states and territories on the new Commonwealth-state training funding agreement. Instead of approaching the negotiations with the states and territories as an opportunity to work together, it just wants to buck-pass and take no responsibility for the policy failings and cuts to funding that took place over the early period of the government's time in office.

I will give a statistic to the parliamentary secretary, at the table, who does not want to take any responsibility either: the government has refused to provide any growth funding for more TAFE places through the Commonwealth-state training agreements for six of the last nine years. There has been no increase and no growth funding for TAFE places. Is it any wonder that we now have 40,000 people trying to get into TAFE who cannot get in because there just are not enough TAFE places? Fifteen thousand of those 40,000 are young people who want to get into TAFE and who want to train to fill the jobs that are available in this country. They cannot get in because over six of the last nine years this government has refused to provide growth funding for more TAFE places. So let us have a bit of responsibility from this government for the actions that have led to this very serious skills shortage.

We saw in last night's budget a serious squandering of opportunities to secure our future prosperity. Rather than setting out a plan to invest this unexpectedly strong revenue that is coming from record terms of trade and generally strong economic conditions, rather than investing that money in the key drivers of growth, we have seen the government decide to give very significant tax cuts to some of the wealthiest people in this country. A responsible budget would have seen a much more significant increase in funding going to training Australian workers. What was the one new initiative for training in last night's budget? The new initiative from this government was to import another 20,000 skilled workers from overseas. That is the one new initiative that we got from this government in the training area of last night's budget.

The government refused to adopt a proposal which Labor put forward. We put it forward in good faith, proposing that the government take up this initiative. We suggested that the government introduce a \$2,000 trade completion bonus for traditional apprentices who complete their training and then go on to address the major skills shortage facing this country. The trade completion bonus was one measure this government could have introduced straightaway to encourage Australians to complete their apprenticeships. As a result of this government's inaction, 40 per cent of people who start a new apprenticeship do not complete their training. What a shocking result from this government's training system. Labor's proposal would mean less reliance on bringing imported skills from overseas and would provide more opportunities for young Australians to complete their apprenticeships and then get the jobs that are going in many different sectors of the economy. Improving completion rates now would mean that we would be able to deal with the skills crisis today. We want to see young people finishing their apprenticeships and getting the jobs that are there today. We do not want to see business having to wait until 2010, when this government's technical colleges will produce their first tradesperson.

Let us once again look back over what has happened on the skilled migration front since this government was elected. This government has imported 178,000 extra skilled migrants since 1997 and, at the same time, has turned away 270,000 Australians from TAFE. That is since 1998. On the one hand, there has been a massive number of skilled migrants brought into this country while, on the other, 270,000 Australians have been turned away from TAFE. Those are the real priorities of this government.

Labor's priorities are quite different. We are saying to this government: train Australians first and train Australians now. Under our proposal, traditional apprentices would receive a \$1,000 payment halfway through their training and another \$1,000 payment at the completion of their apprenticeship. The trade completion bonus would be paid to traditional apprentices in some of the following areas—these are all areas on the national skills shortage list that the government knows so well is having such a serious impact on business: general and off-site construction, automotive service and repair, automotive manufacturing, metals and engineering, electrotechnology, baking, hairdressing, transmission and distribution, and commercial cookery. All of these areas are crying out for more skilled labour, yet this government is only looking to import more skilled migrants from overseas rather than encouraging our own young people to complete their apprenticeships.

As Labor has said, the payment we have proposed would not be taxable for income tax or other tax purposes and would not affect people's social security payments. We are proposing a trade completion bonus that would set a target to lift the completion rate of apprentices by one third—from around 60 per cent now to 80 per cent. That would mean an extra 8,000 trained apprentices in our workplaces every year. By achieving an 80 per cent completion target, this scheme would cost we estimate in the order of \$80 million in 2006—definitely affordable in last night's budget—but, unfortunately, the government has refused to adopt this proposal. It is a very practical, worthwhile proposal put forward in good faith by the Labor Party, but once again this government has passed up the opportunity to get more qualified Australian tradespeople into our workplaces right now.

Instead, businesses in this country will have to either import skilled labour or wait until after 2010 for the first few—it is only going to be a few hundred—qualified apprentices to come through the technical colleges. We will get nothing from the technical colleges in 2010 and then there will just be a few hundred qualified tradespeople coming out of that system. Why not pick up Labor's proposal to make sure that Australian apprentices actually finish their apprenticeships here in this country now, rather than have businesses continue to import very significant numbers of skilled workers from overseas? Unfortunately, this has been ignored by this government and an opportunity has been lost.

There was a failure by this government last night to address in the budget the mounting problems with New Apprenticeships. I will read a short quote from a talkback caller in Melbourne who described the Howard government's New Apprenticeships scheme on ABC radio in this way:

It's the apprenticeship scheme you have when you don't really have one.

Tom, the caller, said that his wife had been signed up as a new apprentice in process work, despite the fact that she had been doing process work for the last 24 years. As Tom went on to say:

There's no practical training anymore ... it's a big rort, very big rort.

Tom went on to say:

It swells the apprenticeship numbers up.

Of course, we know that Tom's wife is not the only person to be duded by the New Apprenticeships scheme. The government was forced to release a report called *Skills at work*. This was a report released by the Department of Education, Science and Training and it reveals that more than half the people who completed a new apprenticeship said that their skills had not improved as a result. The government's own report says that six per cent of people said they actually had fewer skills than when they started their new apprenticeship. So the New Apprenticeships scheme not just is failing to give many people new skills but actually seems to be causing a reduction in the skills that they already have.

What is more, the growth in the New Apprenticeships scheme, as we all know, has been in areas where there is not a skill shortage. These findings are a shocking indictment of this government at a time when businesses around this country are crying out for more qualified tradespeople. And, of course, the Reserve Bank is saying that the skills shortage is one of the factors putting pressure on interest rates. We have a blazing skills crisis in this country, which is not recognised by the minister who is responsible for it. Why does he not want to recognise it? He does not want to recognise it because he is pointing the New Apprenticeships hose away from the fire. We are seeing new apprentices being trained in areas where we do not have skill shortages while local businesses are crying out every day for skilled workers in key trades. The minister might not be hearing them. He should get out more, because the businesses that I talk to tell me all the time about how much extra they have to pay for the tradespeople they are trying to employ. It is driving up costs and wages and, in many cases, jeopardising industry projects.

I will give a couple of examples. Spacemaker Home Improvements is a construction company in Mount Waverly in Victoria. It is in desperate need of carpenters, bricklayers, wall and floor tilers, and plasterers. This is just an example of one company. The company is forced to pay above market rates just to retain the tradespeople it currently has. It says that costs have increased 12 per cent in the past two years. No wonder we have pressure on interest rates. Despite the fact that local businesses like Spacemaker are crying out for skilled workers, we still have 40,000 people turned away from TAFE each year—including 15,000 young people. To give some specific examples of the sorts of courses that students are being turned away from, Sunshine TAFE in Melbourne's north-west had to turn away students from its plumbing and electrical courses, even though businesses in that area are desperately short of trained plumbers and electricians. Newport TAFE in the western suburbs of Melbourne has 150 people on waiting lists for carpentry and joinery. In the east of Melbourne, Wantirna and Croydon TAFEs both have waiting lists in building and electrical courses. All of these TAFEs want to be able to offer these young people more opportunities to get into the traditional trades but they do not have the TAFE places for them. Imagine how businesses like Spacemaker feel not only about the wasted potential of the young people who want to get into the traditional trades but also about the higher prices that they have to charge families for renovations because they cannot get the skilled labour they need.

TAFEs are being forced to turn young people away from study in areas of skill shortage because the federal government has not kept up—and this comes from the actual figures—with the funding provided by the states and territories. In fact, there is a skills deficit of \$833 million. That \$833 million would have created an additional 300,000 TAFE places—an enormous number—which would have met the demand from all those people who want to go to TAFE to get the skills which our economy desperately needs. But of course the government have decided not to fix that skills deficit; they have decided to have a 'quick fix' by importing more skilled labour from overseas rather than significantly increasing opportunities for our young people to get the training they want and need in order to get the jobs that are going. The government should be all about creating additional TAFE places so that we train Australians first—15,000 of them who cannot get into TAFE because the government will not provide the TAFE places they need. The shortcomings of the New Apprenticeships scheme are very well known to those Australians who have been a part of the system for the last seven years. These shortcomings have been voiced loud and clear not only by people such as Tom and his wife but by many others, yet the government has not wanted to know about them.

A major survey was done last year for the Department of Education, Science and Training and we have had a lot of trouble getting the results. We have been trying to get the government to come clean with the details of the survey, which cost taxpayers about \$400,000. Unfortunately, the government has been very reluctant to release the detailed findings. It is apparent from correspondence we have had with the department that they have not been provided by the survey researchers with any reports or summaries of the data. Through freedom of information, we asked for the government to provide reports or summaries of the data collected by the survey. It was quite a shock for me to receive a letter from the department which said:

DEST does not have any reports or summaries of the data that was used in Skills at Work.

The *Skills at work* report had next to nothing in it from the survey. The letter goes on:

The Department sought no such reports from SRC [Social Research Centre] and produced no unpublished internal reports. The documents held by DEST are the data itself, the questionnaires ... and some technical reports and methodologies that were prepared by SRC.

The department spent \$400,000 of taxpayers' money only to not require the researchers to produce any reports or summaries of the data that might inform policy. Imagine how surreal this sounds in the real world. The minister at the table, the Minister for Education, Science and Training, was responsible for it. It is extraordinary that he was more than happy to fork out \$400,000 of taxpayers' money to conduct a survey on apprenticeship outcomes—definitely something that needed to be done—but that he does not seem to have any interest in making sure that there are analytical reports that tell us what the survey found out. The survey should be able to tell us—I suspect it does tell us—what the shortcomings of the scheme are. I am sure the survey results would tell us what the public know—that is, that we do have serious problems with the New Apprenticeships scheme, that it has been concentrated in areas where there are no skills shortages and that we do have people on the New Apprenticeships scheme not getting the skills that they thought they were signing up for.

I do not know what is worse: a government deciding to bury its heads in the sand so that it does not have to deal with this very serious skills crisis or a government flinging the sand into our eyes so that we will not see their nine long years of failure on skills. Why the secrecy? Is it because the report reveals the true outcomes of the Howard government's New Apprenticeships program? The minister at the table has been responsible for this area for the last three years, yet there has been no attempt to deal with what are serious problems with the New Apprenticeships scheme, no attempt to make sure that the vast bulk of training is happening in areas of skills shortage, no attempt to deal with the huge 40 per cent drop-out from the scheme and no attempt to recognise that people are saying they do not learn anything from the New Apprenticeships programs. These findings are obviously very embarrassing to the government. No wonder it does not want to even receive a report which analyses the survey. We will continue to pursue the government on these issues because Australia is suffering and because the Reserve Bank is saying that skills shortages is one of the main reasons for upward pressure on interest rates. Business is screaming out for skilled labour, saying that it is having to increase wages to attract skilled labour to its projects and that it is delaying projects because it cannot get the skilled labour it needs. It is this government's responsibility. (*Time expired*)

The DEPUTY SPEAKER (Mr Jenkins)—Is the amendment seconded?

Mr Crean—I second the amendment.