

A word cloud is positioned in the upper left quadrant, overlaid on a semi-transparent red image of a person's face. The words "incentives", "existing", "training", "workers", "issues", and "models" are repeated in various sizes and orientations, with "incentives" being the most prominent.

# Training of existing workers

Issues, incentives and models

*Giselle Mawer*

*Elaine Jackson*

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# Training of existing workers

Issues, incentives and models

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The views and opinions expressed in this document are those of the author/project team and do not necessarily reflect the views of ANTA or NCVET.

## Publisher's note

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# Key messages

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- ✧ The small sample of 12 small- to medium-sized companies included in the case studies provided limited accredited training because they:
  - ◆ have recruitment strategies focused on the already skilled and treat training primarily as a 'maintenance' issue rather than as a key strategy in overall workforce and business development
  - ◆ train existing workers on an individual basis as identified specific needs arise and do not perceive a high need for training for lower skilled workers
  - ◆ value experience and skills acquired on the job over accredited training. Supplier training is a significant and highly valued component of their overall training, particularly in the retail sector
  - ◆ do not have much knowledge of the formal VET system and are unaware that the skills being gained through on-the-job training could be counted towards nationally accredited qualifications through recognition of prior learning
  - ◆ use and support accredited training mainly to meet mandated requirements, especially in highly mobile and casualised industries such as building and construction.
- ✧ To hook these small- and medium-sized companies into accredited vocational education and training requires:
  - ◆ the availability of staff with formal responsibilities for training or a senior manager who values the formal VET system
  - ◆ industry and employer associations playing a greater role in promoting accredited skills development and better formal recognition of the structured and semi-structured learning such as the training provided by suppliers and equipment manufacturers for the existing workforce. The majority of employers and employees at the case study sites do not see skills development for the existing workforce as the responsibility of government, although they are appreciative of government incentives.

# Executive summary

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## Overview

Continuing changes in work, work organisation, technologies and market demands both locally and internationally have led to proportionate demands for ongoing skill development at all levels of the workforce. At the same time, the pool of new workforce entrants is set to diminish, necessitating a dual strategy of new entrant training and continuous training of existing workers.

This study set out to investigate issues associated with the training of existing workers and their implications for the labour force, industry, employers and the vocational education and training (VET) system. It examines three industry contexts—retail, manufacturing, and building and construction—where little accredited training occurs, and the reasons for this. It also seeks to identify the driving forces and most useful approaches to learning and training from both employer and employee perspectives.

Consultations were held with approximately 40 key individuals, employee and employer organisations as well as education and training providers. These formed the contextual framework for the 12 small- to medium-sized businesses from the three industry sectors, which provided case studies for the research. Interviews were conducted with employers, managers and employees at each site. Industry snapshots and detailed case studies are provided in the support documents.

## Summary of findings and implications

The case studies provide a rich source of qualitative data and insights into employer and employee perspectives on training but have inherent limitations in terms of sample size, potential bias and generality of the data, especially in view of the diverse industries represented. However, the key themes identified were validated by the stakeholders and reference group members.

The great majority of employers recognised that the skill levels of their workforce were fundamental to the success of the business, and that they needed to invest and develop these skills in the same way that they maintained and improved their equipment and infrastructure.

However, in some instances, both employers and employees stated there was little need for significant maintenance or improvement because their experience and skill levels were adequate for current requirements. This was partly due to recruitment policies targeting employees with relevant qualifications and experience, or enterprise system changes reducing the need for individual skill development. The majority of employers tended to adopt a primarily reactive approach, where existing workers were trained as identified specific needs arise.

## Training infrastructure and knowledge of the VET system

Enterprises' understanding and support of the VET system varied markedly according to the size of the business and whether there were any personnel with experience, qualifications or formal responsibilities for training. The experience and attitude of the senior manager to a large extent determined the engagement of the business with the VET system, particularly in relation to training existing workers.

While generally aware of the national training system, and moves towards competency-based standards and qualifications, enterprises were not aware of specific components, such as the relevant training package or range of qualifications for existing workers. In general, employers found the training world confusing, and sourcing appropriate training information and provision difficult. They relied heavily on employer and professional associations for assistance in navigating through the different qualifications, programs and subsidies.

None of the companies interviewed had a dedicated training manager, or a full-time training officer. However, six of the 12 sites did have a manager or supervisor who had training qualifications and responsibilities and, as a result, tended to have a greater understanding of the VET system and available training options. They also had, or were working towards, a much more systematic approach to skills development. Workplaces without such infrastructure tended to focus their training activities on initial, entry-level workers and mandatory or intermittent training for existing workers.

Most companies did not know about provisions such as recognition of prior learning and, therefore, did not see this as a factor or incentive for encouraging existing workers with considerable skill levels to seek certified training. Existing employees, likewise, were unaware of the nature of the recognition process. Yet, for the employees who had made use of the process, recognition was greatly appreciated, and was identified as a key factor in increasing the overall training effort.

## Current approaches to training and learning for existing workers

The majority of the small- to medium-sized enterprises in the study were involved in a considerable amount of unaccredited, structured and semi-structured training seminars and short courses. With the exception of mandated training, such as occupational health and safety courses and licences, accredited training was not highly regarded by the majority of companies. In contrast, employees' experience, multi-skilling and flexibility were especially valued in smaller companies where employees need to cover each other's tasks. These capacities were considered to be best developed informally, through observation, information-sharing, questioning and supervised practice on the job, using the company's own plant or equipment, and/or through employee rotation or involvement in new projects.

Semi-structured training was provided by product supplier and equipment manufacturer representatives and conducted on-site, with small groups. This training was considered valuable by both employers and employees in that it was highly relevant and focused on particular equipment, products, or skills that could be immediately put into practice.

The major drivers for any formal accredited training of existing workers were predominantly factors outside the companies' control, such as licensing requirements relating to mobile equipment, occupational health and safety or contractual obligations on government or large private projects. The value of mandating such training was generally recognised by employers and employees, especially in high risk, casualised industries such as building and construction.

Casual employees in retail were generally provided with intensive informal training during induction and given learning aids, such as job instructions and rules. They were included in the same informal and supplier training initiatives as their permanent counterparts.

Where industrial awards set out minimal levels of competence for different levels, remuneration was directly linked to competency-based classification structures, providing a clear incentive for employees to undertake formal accredited training, or at least assessment of skill levels. On-site training and assessment arrangements were strongly favoured, as was course content closely tailored to business priorities. Interactive modes of learning were preferred to print-based materials. Off-site training was often seen as the only, or preferred, option for the development of specialised technical, business and managerial or higher level skills.

Six of the 12 case study sites, in retail and manufacturing, had embarked on business improvement initiatives such as quality accreditation, skill and task analysis, or a strategic review and planning process with the assistance of external management consultants. Three sites had sourced significant government subsidies which had made them affordable for the businesses involved. Both employer and employee organisations had played a key role in promoting and encouraging the enterprises to embark on these initiatives.

The bulk of training occurring in the case study sites was either free of direct costs to the employer (informal workplace training: product/supplier training or demonstration) or subsidised by government or state-wide industry levies (Workplace English Language and Literacy Program, National Quality Care Pharmacy Program, Existing Worker Traineeships, Construction Industry Training Fund). While many of the courses were unaccredited, they were capable of contributing towards accredited qualifications.

## Responsibility for training and training costs for existing workers

Most case study employers and industry stakeholders saw the responsibility for training of the existing workforce as resting primarily with employers and employees jointly, rather than with government. Four employers were receiving subsidies for existing worker training and, while appreciative of government-funded training incentives, still saw the primary responsibility for training as being with employers and employees. Other government-funded or part-funded training included a Workplace English Language and Literacy (WELL) program in one manufacturing enterprise, without which training would not have been offered. Both pharmacy case studies had also offered part-funded training through the Commonwealth National Quality Care Pharmacy Program.

Employers and employees in the construction industry in particular, supported the mandating of minimal training, especially for occupational health and safety, to safeguard against lack of investment by individual employers, and to address the serious skill shortages in the industry. Because of increasingly contractual working arrangements in the sector, all employers interviewed were generally supportive of industry training funds such as those operating in some states to supplement government-funded training. However, they expressed concerns about the way the funds were allocated and managed.

## Barriers to the training of existing workers

There was a high degree of consistency across participating stakeholders, enterprises and industry sectors about the factors constituting the greatest barriers to the continuous skilling of the existing workforce. The main barriers included:

- ✧ perceived lack of relevance of accredited training
- ✧ difficulties in releasing staff
- ✧ perceived unresponsiveness of training providers
- ✧ external training providers' limited resources
- ✧ long hours and out-of-work commitments for employees
- ✧ limited English language and literacy skills of employees
- ✧ non-standard employment arrangements.

The negative orientation of older existing workers to training, and training issues surrounding casualised and contracted labour were, however, additional factors specifically relevant to existing worker training.

## Research purpose

With continuing changes in work, work organisation, technologies and market demands, there has been wide recognition both locally and internationally of the proportionate skill demands required by employees at all levels of the workforce. However, this recognition does not appear to be reflected in an increasing commitment to training existing workers from either enterprises or employees. While there have been modest increases in enterprise-based and external courses undertaken by employees in recent years, there is also credible evidence pointing to a decline in industry investment in employee training, particularly among small to medium enterprises.

This study aims to investigate issues associated with the training of existing workers and the implications for the labour force, industry, employers and the vocational education and training (VET) system. It seeks to examine three industry contexts—retail, manufacturing, and building and construction—where little accredited training occurs, and the reasons for this. It also seeks to identify the driving forces for training from both employer and employee perspectives and the most useful approaches to learning and training that accommodate industry as well as employees' priorities and constraints.

## Policy and practice issues

This brief overview of the current landscape of existing worker training in Australia provides an umbrella view, primarily incorporating the perspectives of VET stakeholders other than employers and employees. Many of the perspectives represented here were re-iterated in the 40 stakeholder interviews conducted as part of the research (see support documents). These perspectives raise policy and practice issues surrounding:

- ✧ the extent to which concerns about existing worker training are shared by employers and employees in small to medium enterprises
- ✧ the way in which these concerns are currently translated into approaches to training in small to medium enterprises, and the degree of employer and employee satisfaction with these approaches
- ✧ employer and employee perceptions of the current barriers to existing worker training, including the adequacy of VET system in terms of both funding and training provision
- ✧ employer and employee perceptions about who bears the primary responsibility for the training of existing workers, and how this training should be funded
- ✧ the impact of particular features of the current training environment on existing worker training, including increases in non-standard employment arrangements and mandated training.

This study attempts to secure the views of employers and employees on the above issues. In this way, agreements and mismatches between employee and employer perceptions may be identified and, potentially, provide input into policy directions and implementation.

## Issues affecting the training of existing workers

In setting the policy and practice context for the study, the researchers attempted to identify the driving forces and constraints on the training of existing workers, as well as strategies under consideration for expanding current training activity.

### Current and future skills needs of the Australian workforce

Training of the existing workforce emerges as part of a wider set of issues surrounding the need to promote and maintain high skill levels in order to ensure Australia's continued competitiveness in global economic markets.

Recent reports and policy documents, at a national level, have identified a number of factors contributing towards current and anticipated skills formation needs for Australian industry over the next decade (ANTA 2003c; ANTA 2003d; Australian Chamber of Commerce and Industry 2003; Senate Employment, Workplace Relations and Education References Committee 2003; National Industry Skills Initiative 2002a). In addition to skills needs arising from the pressure to remain competitive in global markets, major contributing factors are:

- ✧ demographic issues arising from the ageing of the workforce. While current figures record significant increases in the number of young people undertaking vocational education and training (NCVER 2003a), the supply of new entrants will decrease dramatically in the period 2010–20. Retirements will mean that the demand for skilled labour will significantly outstrip the supply.
- ✧ dramatic increases in the proportion of the workforce employed under non-standard employment arrangements, with around 50% now employed under contract, teleworking, labour hire, casual, seasonal and part-time arrangements (ANTA 2003d)
- ✧ technological change and innovation having an impact on productivity, work processes and work organisation. New occupations are emerging quickly while the shelf life of existing skills is decreasing in many industry sectors. Work intensification creates a demand for higher level skills, flexibility and responsiveness in both technical and non-technical areas. Employability skills, with their emphasis on problem-solving, communication, teamwork and self-management, will form a vital component of skill formation (Australian Chamber of Commerce and Industry & Business Council of Australia 2002).
- ✧ increased regulation in some industries, particularly in the areas of occupational and environmental health and safety, licensing and compliance with Australian standards
- ✧ increased sophistication of consumer and customer expectations creating a demand for innovative products and service delivery at both local and international level, with e-business as a substantial component of market operations.

### Implications for the training of the existing workforce

The above factors combine to create an economic and social context in which Australia can no longer rely on a steady supply of new and highly skilled workforce entrants, or on the existing skill levels of the workforce generally, to meet business and industry needs. It is now well recognised that the current bias of the national VET effort towards entry-level training must be shifted to accommodate a greater focus on the continuous skilling of the existing workforce. Training of the existing workforce is seen as a key strategy for addressing the actual and looming skills shortages and gaps created by changes in knowledge, technology and work processes, and in translating the cliché of 'lifelong learning' into a reality (Senate Employment, Workplace Relations and Education References Committee 2003, p.172).

National Industry VET Plans, as well as Industry Action Plans arising from the National Industry Skills Initiative, increasingly incorporate strategies targeting training of the existing workforce.

All three industries examined in this report—retail, manufacturing, and building and construction—identify both actual and impending skills gaps and shortages:

- ✧ for building and construction, these relate strongly to the increasingly casualised and contract-based nature of employment and its implications for training
- ✧ for retail, factors include the introduction of new technologies, in particular information technology, the need for superior customer service skills, and low retention rates due to the perception of the industry as a short-term employment option
- ✧ for manufacturing, the loss of acquired skills and knowledge as older workers retire, the decline in the ratio of apprentices in training to employed tradespersons, particularly in the metal trades, and the negative perception of the industry generally combine to make both the retention of existing workers and the attraction of new entrants equally crucial strategies.

Research and policy at a national level increasingly show an urgent commitment to the training of existing workers, as well as proposing a range of measures to secure specific outcomes in lifelong learning, recognition of prior learning and equitable access to training opportunities for those working under non-standard employment arrangements (ANTA 2003d).

## Current training arrangements for the existing workforce

Existing workers have traditionally had access to a number of disparate training arrangements. These arrangements have typically been unsystematic and, in most cases, dependent on the orientation of the employer towards training, or the initiative of the individual employee. Training arrangements include:

- ✧ self-funded formal training, usually institution-based
- ✧ employer-funded or part-funded training either institutional, or work-based involving delivery by external or in-house training personnel
- ✧ state-funded training in identified priority areas, including existing worker training in particular industry sectors
- ✧ Commonwealth-funded participation in targeted programs such as the Workplace English Language and Literacy Program (WELL)
- ✧ short semi-structured formal training sessions usually not resulting in accredited qualifications—for example, supplier training
- ✧ informal workplace training, usually not resulting in accredited qualifications.

While recent figures suggest that a significantly increased number of employers (81%) (ABS 2001–2002; NCVER 2001) are offering either structured or unstructured training to their employees, concerns remain that much of this training is informal, highly specific, modular and not linked to training package competencies. Most current training, therefore, does not result in accredited Australian Qualifications Framework (AQF) qualifications. This, in turn, may have an impact on the ability and motivation of employees to undertake further training.

Recognition of prior learning (RPL), encompassing recognition of current competence (RCC), is generally acknowledged to be a grossly under-utilised strategy in the attainment of accredited qualifications by existing workers (ANTA 2003d; National Industry Skills Initiative 2001a, 2002, 2003), with about 2.5% of all those undertaking formal training (new entrants and existing workers) gaining credits towards their qualifications (National Industry Skills Initiative 2003). There is also some evidence of a lower incidence of recognition of prior learning at lower qualification levels (Bateman & Knight 2002). The need to see recognition of prior learning more widely promoted and utilised is particularly evident in trade union proposals for alternative funding and training arrangements for existing workers (Australian Council of Trade Unions 2003; Australian Manufacturing Workers Union 2003). These concerns are also reflected in recent national documents targeting recognition of prior learning as a key strategy in increasing VET participation and achievement.

Current disincentives for work-based assessment of recognition of prior learning centre on the high cost of the recognition process for both employers and providers because of its intensive one-to-one nature and concerns about the validity, reliability and currency of the evidence. Lack of promotion to employers and employees, and lack of adequate funding support for recognition processes have also been identified as a major factor in the under-use of recognition of prior learning as a strategy for providing accredited training to the existing workforce (National Industry Skills Initiative 2001a, 2001b).

## Funding arrangements for the training of the existing workforce

The Commonwealth New Apprenticeships were expanded in January 1999 to include Existing Worker Traineeships, in an attempt to provide a more systematic approach to the continuous skilling of existing workers. These traineeships provide opportunities for those without formal post-secondary training to gain vocational qualifications by means of employer subsidy. At present, eligibility is limited to employees who have worked continuously for an employer for either three months full-time or on a part-time or casual basis over 12 months immediately prior to entering into the training arrangement. While current figures suggest that 27% of those undertaking New Apprenticeships are existing workers (NCVER 2003b), there is considerable debate about continuing a 'one size fits all' approach to new entrant and existing worker training. Existing Worker Traineeships have attracted criticism because:

- ✧ employer subsidies for Existing Worker Traineeships were, until recently, available only for employees without formal post-secondary qualifications, limiting their applicability as a mechanism for upgrading the skills of already skilled workers. Recent changes allow employer subsidies for qualified employees, providing employee qualifications have not been undertaken within the last seven years.
- ✧ there have been widespread but not always substantiated reports of robbing by employers, and of poor quality training provision by training providers, particularly where traineeships are undertaken wholly on the job
- ✧ they represent a 'blunt instrument' (Senate Employment Workplace Relations and Education References Committee 2003, p.202) which does not enable particular industries, industry sectors or enterprise types to be targeted according to the circumstances of the industry, the importance of training to their sustainability and the particular barriers and benefits of training
- ✧ traineeships in their current form do not address the skills development needs of those working under non-standard employment arrangements—for example, on shorter-term construction industry projects or short production runs in the manufacturing sector
- ✧ existing worker training is perceived as primarily the responsibility of the employer
- ✧ more efficient and effective outcomes can be obtained in alternative ways. These views have recently been supported by the Senate Inquiry into Current and Future Skill Needs which recommends the creation of 'a separate scheme to support the training of existing workers in place of the incentives under the New Apprenticeship scheme' (Senate Employment Workplace Relations and Education References Committee 2003, rec. 49).

## Industry investment in existing worker training

Discussion and figures about industry investment in existing worker training are clouded by a lack of distinctions between new entrant and existing worker training, structured and informal work-based training, accredited and non-accredited training. This lack of definitional clarity gives rise to differing perceptions of the extent and adequacy of employer investment in training. Recent figures from the Australian Bureau of Statistics (ABS 2001–2002) indicate that a record 81% of employers provided some form of training to their employees over the period June 2001 to June 2002, an increase of 20% since 1997. Net expenditure on structured training rose by 52% to represent 1.3% of gross wages and salaries. Structured training rates remained particularly low in two of the industries participating in the current research with retail and manufacturing at 34%.

The highest growth rates were recorded in the area of unstructured training from 53% in 1997 to 79% in 2001. Of employers providing no structured training at all, 33% thought that the needs of the workforce could be adequately met through unstructured workplace training. These figures may reflect research findings that employers feel that informal strategies for skill development within enterprises are greatly under-valued by the VET sector, and that the VET sector is primarily interested in selling its own product (formal training) at the expense of encouraging a range of approaches (Figgis et al. 2001). Such findings also dovetail with the perceptions of researchers such as Schofield (2003) of a supply-driven rather than a demand-driven VET system.

Of employers providing no training at all, 80% indicated that they thought their employees were trained well enough, and 11% indicated that the work was unskilled and did not require training. Of interest is the fact that training costs ranked as a less significant issue than the above factors.

While the above ABS figures are widely viewed as evidence of increased employer provision of and investment in training (Australian Chamber of Commerce and Industry 2003; Australian Business Limited 2003; Smith 2003), the significance of these figures is contested by many, including the Australian National Training Authority (ANTA). It notes that the ABS 2001–2002 Employer Training Expenditure and Practices survey quoted above does not resolve the issues of whether ‘employer-funded training has remained constant, risen or fallen since 1996’ (ANTA 2003b). ANTA also notes a preference amongst employers for the funding of short external training courses not leading to a qualification, and on-the-job training.

The figures also reveal an overall reduction in expenditure on structured training as a percentage of payroll from 1.7% to 1.5% (Dusseldorp Skills Forum 2003), and are substantially boosted by investment in the public as opposed to the private sector. Increase in net expenditure may also be accounted for by increases in the costs of training or in the number of employees (Senate Employment Workplace Relations and Education References Committee 2003).

There is general agreement from the ABS data that levels of employer-funded training of non-standard workers remain low at 22% (structured) and less than 50% (unstructured), although approximately half the workforce is now employed under non-standard arrangements (ANTA 2003d).

A high level of agreement also exists regarding the need for a skills formation policy to stimulate small and medium enterprises to increase their investment in training of both new entrants and existing workers (ANTA 2003a). ABS figures (2001–2002) show that only 39% of small employers provided training, although small business accounts for about 95% of all businesses in Australia and 45.5% of all employees. Barriers to training in small- to medium-sized enterprises have been widely identified since the mid 1990s. These include lack of time, underskilling of small business management, high training costs in relation to perceived benefits, and the lack of appropriately tailored and delivered training geared to business rather than training outcomes. The limitations of generic training to the many identifiable market segments of small business, the irrelevance of messages about ‘training’ rather than learning which results in improved business productivity (Hayton et al. 1996; Department of Education, Training and Youth Affairs 2000a, 2000b) and small business perceptions of a supply-driven rather than a demand-driven VET system continue to be noted at a national level (ANTA 2003a; Senate Employment, Workplace Relations, Small Business and Education Committee 2003).

In spite of the debate about employer investment in training, recent national documents recommend the development of a sustainable mix of funding involving ‘a higher proportion of employer and individual investment in learning’ towards nationally recognised outcomes (ANTA 2003b, 2003d). Recommendation 52 of the Senate Inquiry into Current and Future Skills needs also urges the commissioning of:

independent research on the full range of strategies that can contribute to increased and more effective and targeted employer investment in training, and more equitable access to training for the casual and contract workers. The research should include consideration of collective

bargaining arrangements, levies, incentive arrangements, industry training plans and workforce development strategies.

(Senate Employment, Workplace Relations, Small Business and Education Committee 2003)

## Alternative approaches to training the existing workforce

Alternative approaches to the continuous training of the workforce are underpinned by a variety of perceptions, ranging from fundamental disagreement with the direction of VET policy to the desire to see greater evidence of productive training partnerships between VET stakeholders. These alternative approaches are strongly interlinked with views about who bears the primary responsibility for training. In spite of the relative success of the previous Training Guarantee Levy in fostering employer investment in training, the re-instatement of such a universal levy is, on the whole, rejected in favour of approaches which allow more careful targeting of skills formation needs.

Alternative models include:

- ✧ matching government grants to employer expenditure on training in agreed target areas with identified skills shortages according to agreed workplace plans (Australian Council of Trade Unions 2003)
- ✧ providing government funding for the provision of recognition of prior learning services to enterprises. This funding would be dependent on the employer funding training towards accredited outcomes identified as a result of the recognition process (Australian Manufacturing Workers Union 2003).
- ✧ recommending tax credits or tax relief measures
- ✧ recommending the adoption of industry-specific (or region-specific) levies for sectors characterised by contractual, highly mobile and intermittent employment—modelled on the successful Construction Industry Levy in some Australian states, for example, South Australia, Queensland and Western Australia
- ✧ a learning bonus scheme. This model envisages an employer incentive payment for all existing employees completing formal training at Australian Qualifications Framework (AQF) Level III and above. The payment could be flexibly used, for example, to offset the costs of recognition of prior learning (Australian Chamber of Commerce and Industry 2003).

These models tend to focus on shared responsibility for resourcing training between government and employers, although most envisage the maintenance of the overall infrastructure of public training as the sole responsibility of government. Few models have been advanced which build on that trialled in the United Kingdom and Sweden where Individual Learning Accounts match individual investment in training or provide deductibility via the tax system (Hall et al. 2002).

A fundamentally different perspective on training, both for new entrants and the existing workforce, is offered by researchers such as Schofield (2003). She comments extensively on the need to replace concepts of decontextualised 'skills formation' with concepts of integrated approaches to 'workforce development', many of which are evident in the training approaches adopted by high performance workplaces. This perspective mirrors the 'learning organisation' model which attempts to integrate skill formation at an enterprise level with other elements such as enterprise vision, employee relations, work organisation, technology and information systems. Schofield argues that at a state and national level:

Skills formation policy needs to be integrated into a wider policy context which includes but goes beyond education and training policy to questions of state development, industry policy, innovation policy, employment policy and social policy. (Schofield 2003, 4.5)

The separation of training from the workplace has led to a training environment dominated by what providers offer rather than what enterprises need to secure their primary business, organisational and management objectives. Effective training needs to arise from employer demand. Policy measures, therefore, need to focus on stimulating employer demand for higher level skills

development firmly embedded in the context of both their individual enterprise and the wider objectives of the national training effort and national economic interests. Under these circumstances, the primary responsibility for training falls naturally to the employer, who will be more ready to accept it if it is seen to dovetail with primary business objectives. In keeping with many other contributors to the debate about existing worker training, Schofield (2003) argues that skills development needs are neither constant within an industry nor constant across all industries, and that training arrangements need to allow for flexible targeting of actual and potential skills gaps and shortages.

## Research questions

The original research questions for the study were further refined in response to emerging themes from the literature and feedback from consultations and reference group members. It was agreed that the project would focus on the following questions:

- 1 What are the driving forces for existing worker skills development from the perspective of employers and employees?
- 2 What approaches are used in enterprises to develop the required skills? Why?
- 3 Why is there little evidence of existing worker training in some enterprises? Which groups of existing workers receive less training and why?
- 4 What approaches to teaching and learning do existing employees prefer? Why?
- 5 What are employer and employee perceptions of the adequacy of current training provision for existing workers?
- 6 How do employers and employees perceive the burden of responsibility for existing worker training?
- 7 What, if any, strategies are used by employers and providers to cater for employees working under non-standard employment arrangements? From the point of view of employers and employees, how could these strategies be improved?

# Methodology

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## Design of the research

The project was carried out in the following six stages.

### Overview of literature

A preliminary review of available qualitative and quantitative data was undertaken to establish the known extent of continuous training of the existing workforce, and the major issues involved in both formal structured training and less formal workplace training in small- and medium-sized enterprises, particularly in the identified industries.

### Establishment of reference group

A reference group was established early in the research phase to advise on the focus and direction of the study, and provide feedback on the research instruments and case study locations. It agreed to focus the project on sectors known to have relatively low levels of training overall. These were identified as retail, manufacturing, construction and electro technology. Owing to the relatively small number of case studies (12), it was later decided to focus on the first three sectors. A brief snapshot of each sector is included in the support documents for this report.

It was also agreed that an existing worker would be defined as someone who has been in full-time employment for three months or more, or in part-time or casual employment for 12 months or more, or a combination of both.

### Development of stakeholder questionnaires

Four questionnaires were developed for employers, employees, training providers, and employer and employee organisations. These questionnaires were then modified for other stakeholder groups such as industry training advisory bodies (see appendices 1–4 of support document).

### Stakeholder interviews and identification of case study sites

Face-to-face and telephone interviews were held with approximately 40 key stakeholders involved with the training of the existing workforce. Stakeholders included industry and employer associations, industry training advisory bodies (ITABs), registered training organisations (RTOs), New Apprenticeship Centres, union representatives, and State Training Authority personnel. These interviews were used not only to gain a wide range of perspectives, but also to help in the identification of potential case study sites. A number of case study sites were identified and approached; 12 were selected and agreed to take part in the study. In selecting case study sites, every effort was made to represent enterprises:

- ✧ across a range of states (New South Wales, Victoria, Queensland and Western Australia)
- ✧ in regional and metropolitan areas (four regional and eight metropolitan)
- ✧ with small (below 20) and medium-sized workforces (below 100)

- ✧ with relatively significant and relatively low levels of training and training infrastructure for existing workers
- ✧ which had not been used in previous research projects.

Table 1 summarises the case studies selected.

**Table 1: Summary of case studies selected**

Industry sector	Enterprise and business focus	Location	Size of workforce	Training/learning focus
<b>Retail</b>	ABC Hardware	South-western New South Wales	22	Informal, product-based, significant formal accredited training at upper levels, one trainer, developing training infrastructure
	Hardware Haven	Outer metropolitan Melbourne	20	Informal, product-based, some accredited training, no training officer or infrastructure
	Village Pharmacy	New South Wales Central Coast	28	Informal, product-based, some accredited training, one trainer, training plan
	Mall Pharmacy	South-western Sydney	18	Informal, product-based, some accredited training, no training infrastructure or trainer
<b>Manufacturing</b>	ABLE Manufacturing	Inner metropolitan Sydney	8	Informal unaccredited training, accredited training at higher levels, one trainer, developing training infrastructure
	BMS Manufacturing	Northern Sydney	90	Informal unaccredited at lower AQF levels, formal accredited at higher levels, apprentices, no training officer, plan or training infrastructure
	Made to Order Manufacturing	Outer metropolitan Melbourne	10	Informal unaccredited, some formal accredited at lower AQF levels, no training officer, plan or infrastructure
	Floor Cover (wall and floor tiles)	Outer metropolitan Melbourne	110	Informal and accredited, linked to award, WELL program, part-time training coordinator, training plan, strong union support
<b>Building and construction</b>	EcoHomes (new homes, ecotourist resorts)	Gold Coast, Queensland	30 (+ subcontractors)	Informal and accredited, integrated with all aspects of business, training plan, supervisors qualified trainers/assessors
	Home Maker (quality project homes)	Perth	30 (+ subcontractors)	OH&S and licensing requirements, apprentices, no training infrastructure
	Den Homes (apartments, homes and renovations)	Brisbane	6 (+ subcontractors)	OH&S and licensing requirements, apprentices, no training infrastructure
	Build It Right Constructions	South-western New South Wales	9 (+ subcontractors over two businesses)	OH&S and licensing requirements, apprentices, one trainer, no training infrastructure

Notes: AQF = Australian Qualifications Framework, OH&S = Occupational Health and Safety, WELL = Workplace Language and Literacy.

## Conduct of case studies

Case studies were conducted at 12 sites (and two partial case studies at additional sites). Informal and semi-structured interviews based on the questionnaires were conducted face to face at ten sites and by telephone at two sites.

All participants were provided with an outline of the study, and interviews were conducted with the employer and/or general manager, a supervisor, a trainer (where applicable) and between two and four employees at each site. At one of the building and construction sites, two subcontractors were interviewed. All participants were assured of confidentiality, and made aware that pseudonyms would be used for company and employee names, and the relevant case study was later presented to them for verification.

## Data analysis

Case study records were analysed using a range of categories to identify common themes. Findings were then cross-analysed against data from the literature review and responses from key stakeholders interviewed. Preliminary findings were also discussed with the reference group to identify key themes and variations.

## Limitations of the study

The case study approach provides a rich source of qualitative data and insights into employer and employee perspectives on training; however, it has inherent limitations in terms of sample size, potential bias and generality of the findings, especially in view of the diverse industries represented.

Another significant limitation relates to the selection of the sites, which were approached through the researchers' personal networks or referrals from key stakeholders such as industry training advisory bodies and employer organisations. This process tended to bias the sample towards workplaces that were generally supportive of skills development, even if they were critical of formal accredited training structures and provision.

The third significant constraint relates to the new, shorter and succinct format adopted for the National Centre for Vocational Education Research (NCVER) research reports which, while resulting in a more focused report, has limitations in terms of reporting related data from this and other research.

## Structure of the report

Following the new guidelines for NCVER reports, the report consists of two main documents:

- ✧ A short report containing:
  - ◆ an overview of the project purpose and methodology
  - ◆ an overview of significant trends and issues emerging from a review of the relevant literature
  - ◆ main findings
  - ◆ references
  - ◆ stakeholders consulted
- ✧ Supporting documents which include:
  - ◆ snapshots of the retail, manufacturing and construction industries
  - ◆ twelve case studies
  - ◆ focus questions
  - ◆ bibliography.

# Findings

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This section provides an overview of the major findings from the consultations and case studies. Because of the inter-related nature of the research questions, they are addressed under a set of thematic headings. Industry snapshots and detailed case studies are provided in the support documents.

## Extent of training

Almost all case study companies had strong positive attitudes towards the continuous development of the skills of their existing workforce. Skills development was uniformly couched in terms of investment, with most companies measuring the returns in improved business productivity, increased employee job satisfaction and reduced rates of workplace incidents. Only one company, in the manufacturing industry, saw little substantial benefit in investing in developing the skills of their existing workforce.

## Preference for informal and semi-structured training

There was a clear distinction between companies' attitudes to formal, accredited training and other more informal means of extending their workforces' knowledge and skills. A strong attachment to informal workplace training was evident in all companies, particularly for existing workers below AQF Level III, and for longer term casual staff. This typically took the form of observation, demonstration, discussion and mentoring. Semi-structured training improving product knowledge, selling and display skills was particularly valued in the retail sectors (supplier training in pharmacy and hardware). With the exception of mandated training, such as occupational health and safety courses, accredited training was not highly valued in the majority of companies who saw employees' experience and skill in actually doing the job of far greater relevance. Where structured training towards accredited outcomes was occurring at lower qualification levels, on-site training and assessment was strongly preferred. Off-site training was often seen as the only, or a preferable, option for the development of specialised technical, business and managerial, or higher level, skills.

On the whole, employees shared these perceptions of accredited training, identifying the value of accredited qualifications largely in terms of applications for subsequent jobs. Older long-term employees with no relevant post-secondary qualifications tended to show less interest than younger employees in accredited training.

In all retailing case study sites, a great deal of informal and semi-structured training was occurring. Structured training towards accredited qualifications was taking place under Existing Worker Traineeship (in hardware) or employer-funded arrangements (in pharmacy). Structured training towards higher level accredited qualifications was also occurring in one retail hardware and one retail pharmacy site.

Informal training predominated in two out of four manufacturing sites, particularly for lower skilled employees. Structured workplace training of lower skilled employees towards accredited qualifications was evident in one manufacturing site under the Workplace English Language and Literacy program and in another under an Existing Worker Traineeship in process manufacturing. While structured

external training towards accredited qualifications was occurring in three out of four manufacturing companies, there was little evidence of semi-structured training such as supplier training.

## Informal continuous skills development

Building and construction differed significantly from the retail and manufacturing industries in the predominance of specialised, short term, project-based and fragmented working arrangements. These companies often had small numbers of existing workers but worked very closely with a large number of suppliers and subcontractors. Informal training was the preferred means of extending existing workers' knowledge and skills. The major drivers for any formal training of existing workers were predominantly factors outside the companies' control, such as licensing requirements relating to mobile equipment, occupational health and safety, or contractual obligations on government or large private projects.

## Qualifying continuous skills development

Overall, an encouraging picture of employer and employee orientation towards continuous skills development emerged from the research. However, this needs to be read in the context of the bulk of training being free of direct costs to the employer (informal workplace training; product/supplier training or demonstration) or subsidised by government or state-wide industry levies (Workplace English Language and Literacy Program, National Quality Care Pharmacy program, Existing Worker Traineeships, Construction Industry Training Fund), and while many of the courses were unaccredited, they were capable of contributing towards accredited qualifications.

Employer funded or part-funded external training of existing workers tended to:

- ✧ be limited to higher level qualifications (Certificate IV or above) in response to a clearly identified technical, business or management need
- ✧ involve short workshops or training programs over no longer than one week, usually for targeted personnel (for example, workplace occupational health and safety officers, supervisors or managers).

The impact of skills gaps or shortages was not mentioned by employers in the retail or manufacturing industries. Companies had experienced little difficulty in recruiting employees, and where gaps had occurred or potential gaps had been identified (two manufacturing enterprises and one hardware retailer), companies had addressed this by taking on apprentices or subsidising higher level training for existing employees. In the construction sector, however, skill shortages were acutely evident and identified as a real short- and long-term concern by all the case study sites and consultations with the sector.

## Training infrastructure and knowledge of the VET system

Enterprises were generally aware of the national training system, and the moves towards competency-based standards and qualifications, but not of its specific components, such as the relevant training package or range of qualifications for existing workers. Likewise, they were aware of entry level training incentives and traineeships, but about two-thirds of the sample were not aware of initiatives for existing workers such as Existing Worker Traineeships, the Workplace English Language Literacy program, or state-based industry skill development programs.

In general, employers found the training world confusing, and sourcing appropriate training information and provision difficult. They relied heavily on newsletters from employer and professional associations for assistance in navigating through the different qualifications, courses, programs and subsidies and, to a certain extent, in endorsing particular policies, courses and providers. Some had established a direct link with a key informant in an employer or professional association, a New Apprentice Centre or a training provider whom they could call when needed, rather than rely on written material, which they generally found too complex or irrelevant. A small proportion had also joined employer association and Industry Training Advisory Body committees as

industry representatives; however, they still reported difficulty understanding the inter-relationships and acronyms. Many of these agencies were more focused on entry-level training than the continuing skill development of existing workers, which narrowed the scope of information available.

## Training knowledge depends on senior managers' experience

Enterprises' understanding and support of the VET system varied markedly according to the size of the business, and whether there were any personnel with experience, qualifications or formal responsibilities for training. The experience and attitude of the senior manager, to a large extent, determined the engagement of the business with the VET system, particularly in relation to training for the existing workforce. Where the employer or senior manager had been formally trained, or had a positive experience of structured training as an adult, they tended to be more supportive of training and invest resources in a systematic training infrastructure. In five instances, greater investment in training infrastructure for current employees had resulted as part of comprehensive business improvement initiatives. In contrast, where their main training had been through the experiential 'school of hard knocks', there tended to be much less focus on any formal post-entry-level training.

None of the companies interviewed had a training manager or a full-time training officer. However, six of the 12 case study sites had a manager or supervisor with training qualifications and responsibilities and, as a result, tended to have a greater understanding of the VET system and training options available. They also had, or were working towards, a much more systematic approach to skills development, with training needs analyses, plans and programs in place for their workforce. Workplaces without such infrastructure tended to focus their training activities on initial, entry-level workers and mandatory training for existing workers.

Most companies did not know about provisions such as recognition of prior learning; therefore, perhaps, they did not see this as a factor or incentive for encouraging existing workers with considerable skill levels to seek certified training.

## Perceived roles of TAFE, registered training organisations and VET

In general, companies reported difficulties in sourcing appropriate training for existing workers. This was particularly so in hardware. Technical and further education (TAFE) was regarded as the most appropriate provider for entry level or more theoretically-based generic courses, but as less responsive to other areas where industry expertise, entrepreneurial skills or up-to-date equipment and processes were required. Manufacturing and construction tended to see TAFE as the major provider of technical training, and registered training organisations associated with employer and employee organisations as supplementing this with more industry-specific courses—for example, occupational health and safety, and quality and business management. Employer associations and suppliers of products (for retail) and technical equipment (in building and construction) were considered by most companies to offer industry-focused, practical and up-to-date training.

There was a great deal of cynicism among employers of the motives and quality of service offered by the VET industry, and of suspected rorting of the system by unscrupulous training providers as well as employers who were suspected of taking advantage of government subsidies and trainees. As one trainer/supervisor put it:

Training has become a commercial commodity, where often there is a lot of paper and documents, but not much training and learning actually happens ... Likewise, some of the CBT [competency based training] approaches to assessment really lack rigour and consistency, and it does no-one any favours in the long term.

Funding criteria for traineeship arrangements were also criticised for being too restrictive for existing employees and for encouraging a 'churn and burn' approach whereby employers were rewarded on the basis of enrolment numbers rather than the nurturing and retention of trainees as long-term employees.

## Recognition of prior learning

Two companies in the construction sector and one trainer in manufacturing were aware of recognition of prior learning as such. Another manager/trainer in pharmacy had just become aware of the potential of using recognition of prior learning towards a course she was considering undertaking.

Companies in all three industries were otherwise largely unaware of the availability and function of recognition of prior learning and could not remember having received literature specifically on this subject. Companies who had, or had previously, employed apprentices or trainees under New Apprenticeships, including Existing Worker Traineeships, tended to be aware, in general terms, that some employees had gained credit for the skills and knowledge already achieved and had, therefore, been fast-tracked through their training. Fast-tracking did not appear to have involved a formal recognition process, but simply the speeding up of the overall training and assessment process.

This understanding remained very generalised, however, at employer and managerial level. It was not attached to specific understandings of the one-on-one nature of the recognition of prior learning process, the type of supporting evidence required or the potential extent of enterprise involvement in either off- or on-the-job training contexts. In particular, many employers and employees were unaware of the potential value of informal on-the-job learning towards accredited qualifications, especially qualifications undertaken externally. As one employee in building and construction put it:

I was not aware of RPL [recognition of prior learning] till the boss here told me. A lot of people don't know about it, and TAFE did not go out of their way to tell anyone. If people knew it could cut your time in half, a lot more would go for qualifications.

The few employees who had made use of the process were very appreciative of its contribution in ensuring that their training was relevant and taught them new skills. In contrast, some employees, particularly in the pharmacy sector, were resentful of 'boring, repetitive' courses in which they considered they were already competent, and identified this as a clear disincentive to continuous training.

Interestingly, at least two employees who were aware of recognition had made a reasoned decision not to apply for it. Two employees thought they would learn more or refresh their skills by doing the entire course, and one non-English speaking background employee saw the English language skills he would acquire as a result of doing the entire course as of equal importance to the content outcomes.

Existing employees not undertaking accredited VET qualifications were largely unaware of the possibility of having skills and knowledge acquired informally, or through structured or semi-structured training, recognised towards accredited qualifications. They were also unaware of the nature of the recognition process and of the scope of prior learning which could provide evidence of these skills. For this reason, they often failed to perceive the relevance of informal or semi-structured training—for example, supplier training in customer service skills, product display and cashiering (retail)—to accredited qualifications in their sector. When alerted to the possibility of recognition of prior learning through the interview process, those employees who were positively disposed towards training generally, tended to express an interest in knowing more, particularly in the context of the on-the-job training. For the minority of employees who saw no personal benefit in training, recognition of prior learning provided no incentive of any kind.

The overall lack of awareness of the availability and nature of the recognition process helps to account for the fact that the majority of employers and employees did not identify lack of adequate recognition processes or the cost and time involved in recognition as a major barrier to existing worker training.

Employers in small- to medium-sized enterprises also tended to be at arms length from structured training arrangements, such as Existing Worker Traineeships, once these arrangements were formally in place. Employers, particularly those in the smaller enterprises, functioned in multiple

roles (as employers, managers, de facto trainers, troubleshooters and workers), limiting the time available to them to follow through on training issues. This often meant that responsibility for most aspects of formal training provision was passed on to employees and providers. Most employers did not know whether employees had applied for recognition of prior learning or not, and did not regard this as having any real implications for the enterprise. They tended to see this matter solely as a private agreement between employee and provider for the benefit of the employee.

Only one of the case study enterprises (in construction) made a specific connection between recognition of prior learning and its potential value to the training of their existing workforce. Where employers became aware of this through the interview process, responses tended to be linked to perceptions of the value of accredited training generally, in particular for those without vocational qualifications and employed below trade level. Where employers saw little or no value in encouraging accredited VET training, the possibility of recognition of prior learning did not act as an incentive. Where employers considered the work undertaken by employees to be low-skilled, and associated training needs to be adequately met by informal on-the-job training, they saw no benefits of the recognition process to either the enterprise or the employee. This view was particularly evident in the manufacturing sector where employers also cited a lack of interest in training generally by older long-term employees.

Most employers who did express an interest in recognition of prior learning tended to see it as only one of a number of factors to be taken into account in the training of existing employees. Factors such as the suitability of individual employees for training (work record, application, and educational background), perceived returns on investment to the company, and the level of training required to do the job were more likely to influence employer decisions than the availability of recognition of prior learning.

The minority of employers who had actually engaged with recognition (two in the construction industry) commented they had found it very valuable in encouraging their employees to engage in formal training and in reducing the amount of unnecessary repetition and duplication.

These findings tend to confirm the concerns expressed by many VET stakeholders about the under-promotion and under-utilisation of recognition of prior learning as a mechanism in the training of the existing workforce. Whereas time and cost tend to be identified in the literature as major barriers to work-based recognition, the case studies strongly suggest that in small-to-medium enterprises, awareness is a far more pressing issue. Given that most case study enterprises used industry and employer associations as their main source of information, there may be an expanded role for these organisations in communicating information about recognition of prior learning and its value to the training of the existing workforce.

There is also some suggestion from the case study material that recognition of prior learning processes, as they currently operate in on-the-job traineeships, tend to be primarily informal 'tick and flick' approaches resulting in less training offered by some providers to longer term employees.

## Current approaches to training and learning for existing workers

Unless work practices mandated proof of qualifications (for example, licensing and contracting requirements in building and construction), most companies were not primarily interested in whether their existing employees had accredited qualifications or not, or in encouraging them to gain such qualifications. Similarly, most employees interviewed commented that gaining a qualification might be useful in applying for positions or promotions with a different employer, rather than obtaining any advantage in their present situation.

Even with new recruits at AQF Level II and AQF Level III, employers and employees expressed the view that while qualifications were useful, they were rated along other equally, if not more,

important criteria such as experience, interpersonal skills, worth ethic and, in the case of new recruits, a good reference from a previous employer. This would seem to suggest that the new qualifications have not been sufficiently promoted or accepted in certain industry sectors.

The great majority of employers recognised that the skill levels of their workforce were fundamental to the success of the business, and that they needed to invest and develop these skills in the same way that they maintained and improved their equipment and infrastructure. In retail, for example, one employer commented that ‘the staff are the business, and if you have no trained staff, you have no business. It’s as simple as that’.

In some instances, however, both employers and employees stated there was little need for maintenance or improvement because their experience and skill levels were adequate for current requirements. This was partly due to recruitment policies targeting employees with relevant qualifications and experience, or changes to processes reducing the need for intensive supervision or individual variations. Clear job descriptions and instructions were evident in manufacturing and retail sites to clarify and standardise performance standards as well as instruct. In the manufacturing sites, employers considered themselves to be in a consolidation phase, having completed major technological or process reviews whose implementation had also involved some intensive training.

## Mandatory licensing requirements

Mandatory licensing requirements were the main driving force for formal training in building and construction—for example, occupational health and safety induction for contract employees starting on new projects and the operation of mobile equipment. The value of mandating such training was generally recognised by employers and employees, especially in high-risk, casualised industries such as building and construction. Contractors tendering for work with large companies or on government projects were also aware of the increasing need to show evidence of a trained workforce and training plans.

## Industrial awards

In some instances, industrial awards set out minimal levels of competence required at different levels. At one manufacturing site and the two pharmacies, employee remuneration was directly linked to competency-based classification structures in the relevant award, providing a clear incentive for employees to undertake formal training, or at least assessment of skill levels. A number of employees at both pharmacies were in the process of completing such courses through a combination of on-the-job training, mentoring and distance mode, while at a manufacturing site these courses were conducted on site by the TAFE Workplace Language and Literacy teacher. However, at AQF Level II and AQF Level III, many of the long-term employees at these sites had reached the top levels of their classifications.

## Multi-skilling and mentoring

Multi-skilling and flexibility were highly valued especially in smaller companies where employees need to cover each other’s tasks. Both employers and employees considered these capacities to be best developed informally—through observation, information-sharing, questioning and supervised practice on the job using the company’s own plant or equipment—by employee rotation or involvement in new projects. In pharmacy and construction, mentoring and regular meetings to examine and discuss issues were also considered to offer valuable learning and training opportunities, while being primarily focused on business improvements rather than formal instruction.

In hardware, for example, customer service skills were highly valued but under-represented in any formal training, and employees tended to learn these skills informally, from each other and, in particular, from more-experienced employees.

Casual employees were generally provided with intensive informal training at induction and given learning aids such as job instructions and rules. In retail, they tended to be employed at the lower classification levels and included in the same informal and supplier training initiatives as their permanent counterparts.

## Training seminars and short courses

The majority of enterprises in the study were involved in a considerable amount of unaccredited, structured and semi-structured training seminars and short courses, particularly in retail. Much of this training was provided by product suppliers and equipment manufacturers and conducted on-site, by sales and equipment manufacturer representatives, with small groups. This training was considered valuable by both employers and employees in that it was highly relevant, focused on particular equipment or products, product display, presentation and selling techniques which could be immediately put to practice. One retail manager, for example, commented that there were noticeable increases in sales of a particular product following such training. Moreover, it occurred at times that suited the workplace, and was usually at little or no cost to the business. The adverse effects of disruption to work schedules, release and replacement of staff to attend external training courses were particularly mentioned by small business employers.

It was also generally recognised, however, that more formal, off-the job courses were required for more extensive and theoretically based learning. In retail, longer courses were sometimes conducted off-site by product suppliers, and employees attended these in work time or were paid to attend. Banner or franchise retail groups also offered short courses dealing with house brand products, marketing campaigns and business models, which companies accessed for little or no cost based on their level of membership. For short evening seminars, incentives such as meals or transport provided by the employer or the product supplier were used to encourage employee participation.

Similarly in building and construction, employers relied on project managers, manufacturers and suppliers to provide them with short updates on new products or technological developments, which were usually conducted on-site. Subcontractors worked hard to establish long-term relationships with larger companies and their suppliers, and a great deal of interchange of information and expertise occurred to enhance the quality of working relationships, successful completion and timely delivery of projects.

While these short courses and training initiatives were not aligned with competency standards or a recognised vocational qualification, they were highly regarded by both employers and employees. In pharmacy, for example, the certificates gained were used by employees in applying for promotions or other positions in the industry.

Both employers and employees expressed a clear preference for practical, focused and problem-based approaches to learning that could be immediately applied to their work. Interactive discussions were preferred to print-based materials, with five of the 12 case study sites identifying language and literacy levels as issues for their workforce.

Some employers tended to adopt a predominantly hands-off approach to training, in so far as they would not press the issue; however, they would react positively to employee (or external registered training organisation) initiatives rather than instigate training. They did not see it as their role to take the lead on training issues, but they did fulfil mandatory training related to licensing, regulatory and occupational health and safety requirements. Programs or courses such as Existing Worker Traineeships that incorporated such requirements—for example, occupational health and safety, and first aid—were, therefore, considered to be valuable.

Six of the 12 case study sites in retail and manufacturing had embarked on business improvement initiatives such as quality accreditation, skills and task analysis, or strategic review and planning process with the assistance of external management consultants. One construction business, where the managing director has an educational and training background, had adopted such initiatives without the assistance of external consultants. These initiatives included the systematic

identification of skills, job descriptions and performance standards, and the development of training plans to fill identified skill gaps. While most of this training took place on-site and informally, in some instances employees were encouraged to enrol in short courses, offered mainly by private providers.

It was interesting to note that both employer and employee organisations had played a key role in promoting and encouraging the enterprises in embarking on these initiatives. Furthermore, in three of the five case studies, the schemes had attracted significant government subsidies which had made them affordable for the businesses involved. Following the initial skills analysis, one manufacturing site, for example, successfully applied for funding under the Workplace English Language and Literacy program. This funding enabled the company to implement the outcomes of the training needs analysis over a three-year period, and conduct a number of accredited courses directly linked to the award as well as to training package qualifications.

Two of the case study sites in the sample—one in pharmacy and one in building and construction—could be described as high-performance workplaces. Both had adopted a more pro-active systematic approach where skills development was closely integrated with job roles and key business improvement initiatives, and learning good interpersonal relationships and open communication were encouraged. They tended to have a long-term view and strategies developed either by management with training experience or with the assistance of external management and training experts. These businesses actively involved their employees in identifying their strengths, weaknesses and potential pathways, as part of a regular review of individual performance, business performance and succession planning. The construction business also encouraged its subcontractors to develop their skills through regular performance reviews.

As well as on-the-job learning and mentoring arrangements, such businesses also valued group learning as a strategy for critically reflecting on current performance, forward planning and encouraging team-building and business loyalty. While neither company had a designated training officer or manager, all the supervisors in the construction business, for example, had completed qualifications in training and assessment, and the manager in the pharmacy was in the process of gaining such a qualification.

## Responsibility for training and training costs for existing workers

The majority of companies expressed a positive orientation towards training, viewing it as an investment in their business future rather than as an unnecessary cost. Estimates of training expenditure as a percentage of payroll varied from around 1% to approximately 5%, with one company in retail pharmacy giving a figure of 10–12%. This partly depended on whether employers included indirect costs such as supervision, replacement, lost production and attendance at residential conferences. Two companies were unable or unwilling to provide estimates of their expenditure. Companies spending around 1% were not necessarily providing fewer training opportunities, nor did they necessarily have a negative orientation towards training.

In the overall picture of training expenditure, employer orientation was only one of many significant factors including:

- ✧ employer perceptions, in many cases supported by employee perceptions, that informal workplace training was both more adequate and more appropriate to the training needs of their workplace. The costs of this training were indirect (trainer or supervisor time and down time for the employee) and were rarely represented in estimates of training expenditure.
- ✧ the fact that some types of semi-structured training were often cost-free to the employer. An example of this is supplier training in the form of roadshows, on- or off-site demonstrations of new product in the retail sector, training in newly acquired equipment in the manufacturing sector or courses subsidised through state industry funds in the construction sector. In the retail

sector, in particular, where extensive product knowledge often represents a crucial component of competitive edge and customer servicing, this type of training is highly valued by both employers and employees.

- ✧ the fact that regional business often had to invest more in training because of the unavailability of appropriate training in their area. This could mean additional travel and accommodation costs.

## Justifying training costs

Cost of training was not cited as a major factor in the majority of employer decisions about the continuous skilling of their workforce, although the need for cost to be justified or recuperated as a result of the training was strongly stressed, particularly in the two larger manufacturing enterprises. Where training was not heavily mandated by regulatory bodies, as in the construction industry, decisions about training were more likely to be based on:

- ✧ perceived returns on investment to the business. Returns on investment were seen to be: increases in shorter and longer term profitability, decreases in production costs (manufacturing), less time and money lost through employee error or accident (manufacturing and construction), improved service delivery and sales (retail). Half of all employers, primarily those in retail and manufacturing, also cited improvements in attitude, staff morale, employee and customer loyalty as valuable outcomes of participation in training.
- ✧ perceptions of the suitability and merit of individual employees, including their motivation and potential to remain with or move up in the company
- ✧ perceptions that the unskilled nature of the work did not require training
- ✧ perceptions about whether formal training was necessary, or desired outcomes could be achieved through informal training
- ✧ likely disruptions to work schedules due to staff absences.

These findings tend to reinforce figures from the ABS to June 2002 indicating that training costs ranked well below many of the above factors. However, in businesses where informal workplace training, supplier and subsidised training predominated, the comments of one VET stakeholder must be taken into account:

It is easy for businesses to say that training costs are not an issue when they are doing virtually no training, or the training they are doing isn't costing them anything. Many business owners, especially small businesses, have not engaged sufficiently with structured training to know whether cost is an issue for them or not.

Other VET stakeholders, particularly in manufacturing and retail, while not supporting this view entirely, would argue that cost is, and is perceived to be, a major factor in decisions about training, especially in small businesses.

## Responsibility for training by employers/employees versus government-funded training incentives

Most industry stakeholders and case study employers saw the responsibility for training of the existing workforce as resting primarily with employers and employees jointly, rather than with government. Four employers were receiving subsidies for existing worker training and, while appreciative of government-funded training incentives, still saw the primary responsibility for training as being with employers and employees. Other government-funded or part-funded training included a Workplace Language and Literacy Program in one manufacturing enterprise enabling it to provide about 150 employee Statements of Attainment against competency standards in areas such as occupational health and safety, environmental awareness and waste management. Without such government subsidies, company management and union representatives stated that this program would not have been offered. Both pharmacy case studies had also offered part-funded training through the Commonwealth National Quality Care Pharmacy Program. While all

employers acknowledged the benefits gained through the training, they did not see existing worker training overall as being primarily a government responsibility. At least five employers made unsolicited comments on the actual or potential misuse of public training funds by some employers.

These findings run counter to widespread perceptions that employers are only interested in training 'for the money'. It may also indicate that calls for greater employer investment in training do not fall on infertile ground, providing that employer concerns about the value of the training to their business interests and objectives are met. Where structured training was being undertaken off the job, most employers were happy to fund or part-fund fees and learning materials, make minor accommodations to working hours and offer opportunities in the workplace to apply skills learned off the job, provided that the training offered clear returns on investment to the business. Decisions about structured off-the-job training were usually jointly made, although they were often initiated by the employee. Employers did, however, expect the public training infrastructure to be affordable and training providers to be well resourced and maintained from public monies. It was interesting to note that most employees interviewed were not aware of the costs of training offered by employers, or of the subsidies available to their employers under different traineeships or funding programs.

Employers and employees, in the construction industry in particular, supported the mandating of minimal training, especially for occupational health and safety to safeguard against lack of investment by individual employers, and to address the serious skill shortages in the industry. Because of the increasingly contractual working arrangements in the sector, all employers interviewed were generally supportive of industry training funds such as those operating in Tasmania, Western Australia, South Australia, Queensland and the Australian Capital Territory to supplement government-funded training. While agreeing that these funds had significantly increased the overall training effort, they expressed concerns about the way the funds were allocated and managed. They feared they may 'end up feathering the nests of employer or union organisation' training providers, to the detriment of developing the skills of the workforce.

Of those employees who responded to the question, most shared the view that skills development within enterprises should be the shared responsibility of employers and employees, since both benefited from it. Employees tended to see the main benefits to themselves as related to subsequent employment activities, should they choose to change employers or be laid off. About one-third of employees saw the primary usefulness of 'paper qualifications' in terms of impressing potential employers, although equally as many thought that good references and a strong background of experience would carry the same weight. Relatively few employees saw qualifications as enabling them to move up the enterprise ladder. This may reflect the fact that the majority of businesses surveyed were small or at the small end of medium-sized, and that employees saw little room to move within these enterprises. It may also mirror employment conditions in the majority of businesses where increases in training or qualification levels were not linked to remuneration increases or promotions.

Most employees made strong distinctions between training for which the employer should take responsibility—for example, mandated training, occupational health and safety training, and training directly providing benefits to the business—and training employees should fund independently. Examples of employee-funded training are: training related primarily to personal interest or general self-improvement, including in the use of computer technology; and training aimed at securing an eventual separation from the current employer.

Those employees who were receiving employer assistance and support for formal training were very positive about their work environments. Some suggested that there should be a minimal entitlement to training, as their access was to a great extent determined by employer attitudes. The majority of those not undertaking formal training attributed this primarily to their own lack of interest in training, and were confident that they could approach the employer about training if necessary.

## Barriers to the training of existing workers

There was a high degree of consistency across enterprises and industry sectors about the greatest barriers to the continuous skilling of the existing workforce. While, on the whole, these factors do not vary markedly from those affecting the training of new entrants, two additional factors emerged regarding existing worker training: the attitudes of older employees without post-secondary vocational qualifications to training; and issues surrounding continuous skills development for casualised and contract labour, particularly in the construction industry.

### Perceived lack of relevance of accredited training

Businesses across all industries expressed a strong preference for skills development programs focused strongly towards their particular business circumstances. In the retail hardware sector, in particular, employers were reluctant to place employees in retail training programs because of the perception that these programs were too generic to complement their business aims, and that providers were, on the whole, unwilling to tailor such programs to particular retail sectors or businesses. Conversely, in the pharmaceutical sector—where skill-classification levels were based on competency standards and training was provided primarily on the job with support from a registered training organisation associated with employer organisations and where the content closely related to business priorities—both employers and employees perceived such training as highly relevant.

The preference for informal training (including mentoring) or semi-structured skills development was shared by the majority of employees, for both educational and practical reasons. While employees recognised the limitations of this approach in regard to higher level training, they were nonetheless critical of much external institutional training. The fact that the bulk of informal or semi-structured training did not lead to accredited qualifications was irrelevant to both employers and employees. Informal training was also often seen as the most available way of ensuring the currency of trainers' expertise in the particular industry sector.

Older existing employees (45+) tended to see themselves as too old to learn significantly new skills, and saw no employment advantages in doing so. None had experienced any difficulty in obtaining employment, and all thought that their experience and work records would stand them in good stead in securing future employment. Many resented having to undertake training in areas in which they already considered themselves competent, and found such training 'boring and repetitive'. As discussed earlier in the report, their lack of awareness of recognition of prior learning further reinforced these barriers.

It was evident that, apart from pharmacy and some sectors in manufacturing, training package qualifications had not gained sufficient currency for either employers or employees to be perceived as valuable in validating existing skills or as a prerequisite to career advancement. Hence, employees were more likely to seek good job references, compulsory licences or more generically recognised qualifications in specific products, occupational health and safety or management skills to enhance their continued employability.

### Difficulties in releasing staff

The difficulties in accommodating off-site training in working hours were predominant considerations for employers. While short one-day seminars could be accommodated, longer ongoing courses presented considerable barriers. Small to very small business employers were more likely to comment on the difficulties of releasing staff during work time because of the costs associated with replacing those staff as well as paying for the training of the absent staff member. Larger businesses felt they were better able to accommodate this strain, provided that only one or two employees were undertaking training at any one time and that training programs were short.

## Perceived unresponsiveness of training providers

Almost all businesses expressed a strong preference for on-the-job or on-site training, particularly at lower Australian Qualifications Framework levels. Where external provision was involved, employers were most likely to choose providers who were prepared to train on the job, focusing on skills development in practical concrete situations of immediate relevance to the employee and the enterprise. Three of the four Existing Worker Traineeships were delivered and assessed by private providers and one by a local community college. Likewise, accredited training in pharmacies was delivered on-site with support from a registered training organisation associated with employer organisations. Employers in retail and manufacturing commented unfavourably on the willingness of TAFE to provide on-the-job training for mainstream qualifications. Most employees attending TAFE (Certificate IV in Workplace Training and Assessment, Occupational Health and Safety, Diploma in Mechanical Engineering, Certificate IV in Computer Assisted Drawing in Machining) were attending evening courses, the majority with employer financial support.

At least two employers acknowledged that, apart from subsidised traineeship arrangements, small employers could not reasonably expect training providers to deliver on-the-job training to every small enterprise, as it was 'not worth the providers' while'. Nonetheless, there was a relatively strong perception that training providers marketed what they had available and what was easiest for them to deliver, rather than what businesses actually wanted. This tends to confirm concerns in VET literature about a poor fit between what is needed by enterprises and what is on offer (Hayton et al. 1996) and the predominance of a supply- rather than demand-driven model of education and training (Schofield 2003). It also supports calls for a more integrated approach to workforce development resting on increased employer demand for training, rather than a supply-driven model resting on decontextualised skills development.

In no case in the study had employers given thought to the possibility of banding together with other small employers in the same or a similar sector to approach providers to develop and deliver customised training.

## External training providers' limited resources

Both employers and employees in the manufacturing industry commented on the superiority of on-the-job training in terms of the application of machinery actually in use in the workplace. At least two employees in manufacturing and two in construction commented that institutional training was limited by the nature of the resources available. They tended to see institutional training as preferable for basic skills development and theoretical purposes, but workplace training as preferable for more specialised technical skills development. Amongst institutional providers, there was a strong preference for training provision linked to industry or employer associations (Housing Industry Association, Master Builders Association, Timber Merchants Association, Australian Industry Group, Pharmacy Guild) rather than public provision, as these were felt to offer more targeted and relevant training.

## Long hours and out-of-work commitments

Employers and employees in the predominantly female pharmacy sector cited family commitments, including childcare, as a factor contributing to the difficulty of attending training out of working hours. Other employees also cited outside interests and commitments as having priority over training outside working hours.

In industries such as building and construction, long working hours were often cited as a significant disincentive to employees attending training.

## English language and literacy skills

Both employers and employees at five case study sites mentioned English language and literacy skills as an issue in existing worker training. One small manufacturing business had created opportunities

for its non-English speaking background staff by engaging a private training provider with experience in teaching English to speakers of other languages. Another medium-to-large manufacturing enterprise had accessed Workplace Language and Literacy funding to enable skills development resulting in Statements of Attainment across a variety of competencies.

## Non-standard employment arrangements

Casual employees in both retail sectors (hardware and pharmacy) tended to be longer term employees with fixed weekly hours. On the whole, these staff had access to the same informal and product-related training opportunities as permanent employees, where these opportunities were cost-free to the employer. Employers were, however, reluctant to spend money on structured training opportunities for casual staff. This fits with the perception of the retail industry as a short-term employment option for those contemplating or undertaking other career pathways, with both employers and employees unwilling to invest in training.

Three of the four manufacturing enterprises employed no contracted or casual labour. At the remaining site, a few contracted employees were intermittently engaged through a labour hire company on short production runs. They, therefore, did not fall within the definition of existing workers. Contracted employees were offered only as much training as they needed in order to do the job safely and to the required standard with exposure to a minimal range of equipment. The employers saw no necessity and no returns on providing further training.

Similarly, in building and construction, where fragmented, project-based contractual work arrangements predominated, there was little incentive or opportunity for employers or employees to undertake any systematic training.

## Training costs

As reported earlier in the study, costs of training *per se* were rarely cited as a significant barrier to skills development, but costs in relation to perceived return on investment were. This meant that employers were prepared to allocate money and on-site resources to training provided that training made a clear and tangible contribution to short- and long-term business objectives. However, where enterprises had accessed government subsidies and incentives, it was clear that these had been strongly instrumental in enabling structured training to occur. They saw the primary responsibility as resting jointly with employers and employees, since they are the main beneficiaries of improvements in business productivity.

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# Appendix 1: Stakeholder consultations

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This report presents issues associated with incentives for training existing workers in small to medium-sized firms, identified through a small sample of case studies. While the majority of employers recognise workforce skill levels are fundamental to the success of the business, their understanding and support of the national VET sector varies markedly. Employers and employees tend to prefer informal, on-the-job training because the returns to the enterprise are more immediate. Accredited training which is supported by employers and employees is mainly driven by external mandates, such as occupational health and safety requirements and industrial awards.

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