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**A 21<sup>st</sup> Century Solution to Skill Shortages in Australia**

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## **Abstract and outline.**

This paper argues for specific, major, institutional reforms capable of building a high-skilled internationally competitive labour force in Australia. It argues for replacing the current policy of maintaining labour underutilisation as a productivity driver, with a national system of counter-cyclical public sector employment (Job Guarantee) and skills formation infrastructure, organised on a regional basis. The first section introduces the issue of Australia's deficient skill formation capacity. Sections 2 & 3 summarise deficits in key labour market institutions, the Job Network and the tertiary education sector. Section 4 highlights the chronic failure of the private sector to provide supervised opportunities for novices to undertake skilled work. Section 5 argues that the state has a unique responsibility to act, while section 6 proposes necessary components of an institutional framework. The conclusion addresses the political question of opposition to full employment.

### **1. Australia's deficient skill formation capacity.**

Skills shortages are now well recognised by Australian industry as compromising their ability to innovate and compete in global markets (AIG 2008, KPMG 2008). 68.1% of CEO respondents to an Australian Industry Group survey published in April 2008 said skills shortages had impacted on their business in the preceding year, and estimated that it would require 180,000 to 240,000 extra skilled full time employees to meet their needs (AIG, 2008:22-23). 60.2% of the firms reportedly affected by skills shortages said they were restricting their capacity to innovate (AIG, 2008: 28). Given that a minimum of 9% of Australia's willing labour force has been consistently unutilised since the 1970s, with considerably higher peaks during periods of recession, the problem is one of insufficient skills formation.

Skill formation is a challenge that Australia, along with other countries in the Anglo-American and neo-liberal mould are clearly failing to meet. When we look to societies with a high skills formation capacity, we see their success underpinned by institutional arrangements that place national, collective interest at the forefront. The provision of a high standard of skills formation and diffusion in Germany, for example, can be partly attributed to the existence of an institutional framework where the state requires employers and unions to share decision-making over vocational training content (since 1969), ensuring skills portability for workers and thus wide skills diffusion throughout the labour force. Peak employer bodies also exert authority within their industries to reduce inter-firm poaching of skilled workers (free-riding), while the availability of 'patient capital' through local banks creates longer time-frames for return on training investments (Gough, 2005). Other high-skill countries such as Japan and Singapore have other institutional arrangements, but each includes a significant role for the state in creating the social underpinnings of high skill formation, including:

- Social cohesion and cooperation among societal players,
- Value-adding rather than competing on the basis of cost reduction,
- Continuous investment in new skills and particularly skills of communication and problem solving that support collaboration and innovation,
- Coordination to produce system coherence,

- High skills diffusion throughout the labour force rather than a polarisation of high and low skilled workers,
- Social inclusion in the benefits of a high skilled society (Brown et al, 2001)

Australia performs poorly in most of these areas. Indeed, successive Australian governments and employer bodies have undermined high skill formation over thirty years by their efforts to minimise the size and role of the state. Peak employer groups and their political advocates publicly and privately advocated for the abandonment of full employment in the early 1970s, to restore (socially exclusive) labour underutilisation as a productivity driver (Quirk, 2003), and achieved their objective by significant cuts to public sector employment (Mitchell, numerous). Efforts to promote corporatist arrangements in Australia, such as the ACTU-backed 'Australia Reconstructed' report of the 1980s, which examined Scandinavian and other high skilled examples and proposed tri-partite institutions to steer industry development, were promptly rebuffed and the low-cost road to global engagement taken instead. The precarisation of the labour market was institutionalised in the late 1980s through the abandonment of legal constraints on permanent casual employment and by making the systematic harassment of unemployed people the object of labour market policy, beginning with the OECD-inspired 'active employment strategy'. Despite the power they have wielded over public policy to the detriment of working people, and in contrast to their German counterparts, Australia's peak employer bodies have lacked the authority to persuade their members to overcome their free-riding reliance on poaching skilled workers from other firms, and indeed advocate skilled immigration (poaching from other countries) as the solution. In short, we lack institutions that are conducive to high skills formation.

## **2. Labour Market Coordination**

The philosophical underpinnings of labour market policy that followed in the wake of DEET's formation in 1988, and gained expression throughout the 1990s as the Active Employment Strategy, Newstart, and the marketisation of employment services, coupled with funding cuts to higher education, vocational and technical training, has left Australia poorly institutionally equipped to meet our current challenges. For example, the Minister for Employment Participation recently expressed concern at the inadequacies of the Job Network, clearly evident in the results of its ten years in operation.

For too long job seekers, employers and providers have had to endure a complex and rigid employment service structure.

Over the last 10 years skill shortages have worsened, dramatically hampering productivity and growth.

Over the last 10 years many thousands of job seekers have become increasingly detached from the labour force. The Job Network has failed disadvantaged jobseekers that have needed assistance to overcome barriers to employment and to gain the skills that employers need. This is starkly illustrated by the proportion of people on unemployment benefits for more than five years which has increased from one in 10 in 1999, to almost one in four today – an increase from 74,000 in 1999 to more than 105,000 now. It is unforgivable that these jobseekers and their families have been

denied economic and social opportunities and the dignity that comes from having a decent job (O'Connor, 2008).

The Job Network's predictable failures are attributable to structural design flaws and not to the people attempting to make a poorly conceived system work. It was designed (based on a plan by McKinsey & Co. consultant Paul Twomey for the Keating Government) to maximise the enforcement of compliance measures on the unemployed by undermining the security of employment service staff, owing to their initial resistance to the introduction of activity testing (Twomey, 1994; Jose & Quirk, 2002). This function was plainly stated in the Norgard Review of the CES of 1977 to be anathema to effective labour market brokerage (Norgard, 1977). Welfare policing creates power relations that inhibit client-broker communication, depriving Job Network staff of insight into their jobseeker client's circumstances. Norgard also observed that a legally defensible punishment system consumes crucial staffing and training resources, confirmed in what current Job Network staff have described as 'administrivia'<sup>1</sup>.

In terms of monitoring labour market developments, the former CES played a significant role in detecting, analysing and coordinating responses to skills shortages, but the fragmented and competitive nature of the Job Network prevents formation of a coherent overview, or the gathering of clear labour market intelligence with which to inform policy, let alone, public debate.

The Job Network also suffers from the same endemic market failure that generally pervades the private sector: it has failed to adequately train and develop its staff in fundamental areas, such as employment brokerage skills of interviewing, counselling, industrial and occupational knowledge, and in understanding labour market disadvantages and strategies for redressing them. By contrast, following specific recommendations by Norgard, the CES maintained high quality training in these areas for a decade, until the massive activity testing administrative workload which begun under Newstart pushed such operational skills formation aside. Without the skill to manage the complexities of their role, Job Network staff have reported psychologically harmful levels of stress (Goddard et al, 2001) and exceptionally high annual staff turnover, that further undermine the prospect of up-skilling. Reforms envisaged for the July 2009 contract round address some of these issues, particularly through the moderating of compliance activity (DEEWR, 2008: 27-30), but still do not adequately acknowledge the skills required of people operating at the intersection of labour, capital and the welfare system. It is not a function amenable to profit maximisation if it is to be done with appropriate balance and sophistication.

### **3. Education and Training**

A public employment service that cannot detect and address skill shortages is only part of the problem, as there has also been insufficient provision of quality research, education and formal training opportunities. A commonwealth government report now acknowledges that universities, TAFE and other institutions need more adequate funding to fulfil their missions. The Review of the National Innovation System, released by the Australian government in September 2008 argues '... it is imperative

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<sup>1</sup> As reported in a focus group study undertaken by the Centre Of Full Employment and Equity for an Australian Research Council funded study into developing regional labour markets, entitled .

that our educational institutions do receive adequate funding and it is likely this will require a substantial increase in funding as a share of GDP' (Cutler, 2008: xi)<sup>2</sup>.

Currently research in universities is not fully funded under competitive grants programs such as the Australian Research Council (ARC) and performance based block grants, and so it is typically subsidised from universities' other revenue streams, most particularly from the teaching of full fee paying overseas students. This cross subsidisation of research from teaching profoundly undermines both activities, the former by short-changing it, with the upshot of leaving it subject to the uncertainties of international markets, and the latter by undermining its international competitiveness(Cutler, 2008: x).

In addition to questions of funding, a case can also be made for making universities places of scholarly pursuit free of control by market or bureaucratic power. The cost-cutting application of commercial incentives and corporate management techniques to higher education has been profoundly destructive of academic freedom and integrity, it has lowered academic standards, undermined commitment to pedagogy (crucial for inter-generational knowledge transmission), suppressed intellectual diversity, and devalued academic culture (Morton, T. 1998; Marceau, J, 1995; Alexander, H, 2007). Universities have become increasingly expensive income-raising credential factories (Susskind, A. 1987; Morton, A., 2006), with the relationship between scholars and students, hollowed out by an explosion in student to tutor & lecturer ratios as quality has been sacrificed for volume. Lower ratios of students to staff will be required to raise the capacity of universities to develop and teach more complex material.

The work of Jurgen Habermas (1976, 1991) suggests that in being steered this way and that by bureaucracies and markets, essentially systems of power differentials, universities diminish the ability of their scholars to learn and comprehend. We communicate to each other depending on who we are with, distorting our message for strategic purposes as we play out our various dominant / subordinate roles, which are the building blocks of power systems, and the basis of most human social systems. This distortion has the effect of knocking out the subtle richness of communication of which humans are capable, dumbing-down our capacity to understand each other, and thereby impeding the creation of new knowledge. Universities must aspire to maximise the flow of undistorted communication, by allowing the truthful expression of opinion from all quarters and in open dialogue. Universities will best deliver on their mission when they constitute the most sociable, egalitarian and collegial of environments.

There are non-hierarchical models suitable for the organisation of people who aspire to add to the wealth of human knowledge by researching and teaching, that do not entail dominant / subordinate roles, coercion or exploitation. For example, Dr. Race Mathews<sup>3</sup> offers an ingenious proposal for a co-operative model for a university,

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<sup>3</sup> Race Mathews has been chief of staff to Gough Whitlam as Leader of the Opposition 1967-72, a federal MP, a state MP and minister and a municipal councillor. His *Australia's First Fabians: Middle-Class Radicals, Labour Activists and the Early Labour Movement* was published by Cambridge University Press in 1994, and his *Jobs of Our Own: Building a Stakeholder Society* in 1999 by Pluto Press (Australia) and Comerford and Miller (UK). His E-mail address is <race@netspace.net.au>

Might not there also be a role for independent scholarly communities of other kinds - call them perhaps "alternative scholarly entities" (ASEs) - which support their pursuit of the life of the mind through teaching and other services and are self-governing according to co-operativist principles? If the universities are - to put it no higher - insufficiently conducive to scholarship, might it not be feasible for scholars to re-organise themselves around ASEs, which then sell back teaching into the universities on terms which have proper regard for scholarly standards and quality assurance? (Mathews, 2001:8).

Dr Mathews draws on John Henry Newman's *The Idea of a University*

Newman wrote that the function of the university "... is intellectual culture; here it may leave its scholars, and it has done its work when it has done as much as this. It educates the intellect to reason well in all matters, to reach out towards truth, and to grasp it".

Nor was he any less precise about the grounds on which the idea of the university was most likely to be compromised. "Some great men", he also wrote,

"... argue as if every thing, as well as every person, had its price; and that where there has been a great outlay, they have a right to a return in kind"

This they call making Education and Instruction "useful", and "Utility" becomes its watchword. With a fundamental principle of this nature, they very naturally go on to ask, what there is to show for the expense of a University; what is the real worth in the market of the article called "a Liberal Education", on the supposition that it does not teach us definitely how to advance our manufactures, or to improve our lands, or to better our civil economy; or again, if it does not at once make this man a lawyer, that an engineer, and that a surgeon; or at least if it does not lead to discoveries in chemistry, astronomy, geology, magnetism, and science of every kind (John Henry Newman cited in Mathews, 2001:1).

He cites 'Pierre Ryckmans (aka Simon Leys)'

Any other function - such as the service of the national interest, or the training of various experts and specialists capable of meeting the specific socio-economic demands of the community ("social plumbing") - can and should be better discharged by Colleges of Advanced Education, Technical Institutes, Vocational Training Centres, Professional Schools and other institutions especially designed to fulfil the practical needs of the nation (Ryckmans, cited in Mathews, 2001:1 - 2).

He concludes that, if a university cannot fulfil its basic scholarly mission, "... one might as well burn the place to the ground. It would not be missed" (Mathews, 2001:2)

The point is that universities are not appropriate sites of industrial skill formation: they are the generators and transmitters of very new knowledge and ideas, and their design should reflect this purpose. People that go to university may also undertake hands-on, paid, technical and professional training elsewhere, that applies the

theoretical principles and intellectual skills they develop at university, while leaving universities free from top-down strategic (instrumentalist) management and market considerations to be the cauldrons of new ideas we need them to be<sup>4</sup>.

#### **4. The big problem: giving novices skilled work on which to practice.**

The inability of the public employment service to monitor and manage the labour market, and the impoverishment of our higher and technical education systems are not our worst institutional deficiencies, for even with the development of a skilled public employment service, and substantial improvements to all levels of our education system, chronic skills shortages will persist because education and skill, albeit related, are not the same thing. Verbal and written instructions from a teacher, lecturer, trainer or supervisor, or text conveyed with books or computers, may impart knowledge that can usefully underpin the formation of skill in the novice, but this constitutes merely a framework upon which skills may form. Skill is formed when novices attempt, practice and eventually master skilled work. Tacit knowledge accumulates with experience; neural pathways are laid in response to their necessity, so that the expert can automatically and fluently perform what the novice can only consciously, and tentatively attempt. This is the point where Australia's skill formation capacity is most deficient, for as in most Anglo-American market economies with lean public sectors, too few opportunities exist for novices to *perform* skilled work under attentive and skilled supervision.

Because practical skill-intensive work experience is necessary for imparting skill, agencies such as schools, TAFE, universities and rehabilitation services, etc., naturally turn to employers to provide it. However, Australian employers do not even sufficiently train their own staff, nor is it common practice for employers to invest quality time and money into training people they have little expectation or intention of employing. Large firms (500+ employees) generally undertake significant staff training and development, but the training commitment of firms of lesser size is disproportionately smaller (Kapuscinski, 2000).

Consider the practicalities: incompetent performance of a skilled task constitutes a significant risk in many situations – people can be killed or injured, expensive materials wasted, machinery damaged, business reputations harmed or important customers alienated. For the novice to safely undertake skilled work, it is therefore necessary that they be closely supervised by a skilled practitioner who is drawn away from work of more immediate value to their enterprise. This would be less problematic if the firm was certain of recouping their investment in training and development through the enhanced productivity of the novice, but often they cannot. If training only inculcated skills that were training-firm specific, the training firm could expect a dividend of higher productivity. However, if skills are imparted that are also of value to at least one other firm, the possibility of poaching arises, and the probability rises the more skills are of general value to the labour market (Stevens,

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<sup>4</sup> A general observation, offered in response to David Putnam's 'Bowling Alone' is pertinent here: "the modern liberal preoccupation with material self-interest, individual sovereignty, contractual social relations, and proceduralism winds up inherently and fundamentally at odds with any attempt to create a politics of common vision, public good or community" (Boggs, 2001:291). It is from these same sources of communicative distortion that universities need to be liberated.

1996; Cutler, 2008). Knowing that other firms covet the skilled workers they develop, training firms are forced to match prevailing market rates of pay to prevent their being poached, transferring the gain in productivity to the worker, making training an unprofitable investment. Most firms therefore choose to buy in skilled labour as required rather than invest in significant training, exacerbating aggregate skill shortages in the process<sup>5</sup>. It follows that firms will similarly avoid assuming significant responsibility for supervising non-employees in work-experience in very large numbers. Where employers do undertake to provide work experience they generally minimise the cost of supervision by providing work with minimal skill content, in which incompetent performance constitutes minimal risk.

Governments have been aware of private sector under-investment in skill formation for decades, responding by wielding various sticks and carrots to persuade industry to lift their performance in this area, with marginal results at best. Early wage subsidies (such as the Special Youth Employment Training Program of the Fraser and early Hawke Governments), required employers to detail what skills were being inculcated in young people for whom they received a wage subsidy, obliging local CES labour market program administrators to periodically visit workplaces to monitor employer compliance<sup>6</sup>. A mid-1980's overhaul of labour market programs (Kirby Report) acknowledged the tokenism of this approach and removed training obligations as a condition of wage subsidies. The Hawke and Keating Governments' Training Guarantee Levy (along the lines of a French scheme introduced in 1971) gave employers the choice of spending the equivalent of 1% of their payroll on training and development, or paying it as tax. There was considerable employer resentment toward this scheme reflected in the cynical emergence of numerous executive junkets (training courses based on golf courses, etc) which circumvented the objective of the program, and was promptly abolished by the new Howard administration. Britain introduced a system of Industry Training Boards (ITBs) in 1964 to administer an industry levy on firms in each sector, providing financial rewards to those that contributed to skills formation, effectively forcing free-riders to contribute to training in their sector. The Thatcher government largely abandoned the scheme in 1982 (Finegold, 1996: 236). Industry skills boards formed the centrepiece of the Howard government's response to skill shortages in 2001, which aimed to promote participation, streamline the administration, and improve the quantity and quality of vocational training. Employers have been particularly urged to employ novices on discounted 'training wages' in entry-level training positions known as 'New Apprenticeships' (collective term for traditional four-year apprenticeships and on-the-job training / certificate courses of lesser duration formerly known as Traineeships), but this offer of cheap labour does not necessarily result in a commitment to skills formation (Wood, 2004). In any event, had these numerous efforts to raise employer participation and commitment to skills formation proven effective, skills shortages

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<sup>5</sup> The AIG (2008) report, for example, that while 51.5 % of surveyed CEOs considered cost an impediment to upskilling their staff, 40.7 % cited staff departures from the firm following training as the next biggest impediment.

<sup>6</sup> This was generally a tokenistic process as the preservation of the worker's job was considered more important by the CES staff than whether actual skill formation was happening. The monitoring process was so superficial that a car theft operation in the Melbourne Northern suburb of Preston used young people on SYETP to steal cars, strip and respray them, while on several occasions, CES staff watched and recorded the skills the young people were developing. 'Detectives say the CES officials in charge of the employment scheme, and the youths who took part, were entirely innocent of the true nature of the car stripping operation' (Preston-Northcote Post-Times, 14 /1/ 1985:3).

would not be exercising the minds of government and industry to the extent they presently do.

It is a sobering thought than while we reportedly have too few skilled workers at the outset of the present unfolding global economic crisis, as fears of recession grow, firms will discontinue their least immediately profitable activities, shedding their least productive workers and driving up unemployment in the process. Training and trainees are often jettisoned early in a recession, removing critical sites of skills formation from the system, thus reducing capacity for skills formation and for re-tooling the labour force in preparation for new commercial opportunities as they appear on the horizon of economic recovery. At the same time, by depriving the unemployed of social contact, activity, stimulation, daily structure, and sufficient money to maintain a dignified existence (Jahoda 1982), unemployment corrodes social and self-management skills that may take years to form. Consequently, as we have seen after previous recessions, economic recovery is prematurely choked off because skill shortages cause inflationary labour supply bottlenecks, producing a long and painful crawl out of each recession known as hysteresis' (Mitchell and Muysken, 2008).

Given the gathering challenges of the 21<sup>st</sup> century, including growing international competitiveness, environmental change, resource depletion, shifting global power balances, rapid technological change, and so on, national survival will depend crucially on our capacity for rapid effective strategic adaptation. This means not only having the capacity to inculcate skills in current demand, which we are inadequately doing at present, but to be able to anticipate demand and develop regional labour forces that will attract capital investment. But if skills are formed by performing work that requires such skills, how can skills be formed *prior* to new firms commencing operations? The answer lies in reviving a role for the state as employer of last resort and net producer of skilled workers.

## **5. Restoring the employing and training role of the public sector.**

While there are few examples of effective skill formation systems that rely on private sector engagement, the Australian public sector of the thirty-year post-war era (1945-1975) largely kept skill shortages at bay despite prolonged high labour utilisation, despite the demand for technical and trades skills in the growing manufacturing and housing construction sectors, and major infrastructure projects such as the Snowy Mountains Hydro-electric scheme, because the public sector deliberately trained more people than it required to counter the under-training propensity of the private sector. State government instrumentalities employed large numbers of apprentices and otherwise offered large numbers of entry level jobs in government departments and public enterprises such as the railways, gas and electricity utilities, local government etc. as part of its role as 'employer of last resort'. Preserving permanent, full-time, full employment and an unemployment rate of around 2% of the labour force, forced the private sector to employ whoever it could get, which also obliged them to train unskilled recruits. Many categories of people who were consistently employed in both the private and public sectors during the period of post war full employment were precluded from similar levels of employment participation following the abandonment of full employment in the mid-1970s.

The Centre of Full Employment and Equity (CofFEE) of the University of Newcastle, New South Wales, has for ten years advocated the adoption of an expanding and contracting public employment system offering unlimited jobs, paid at the minimum wage, to balance the cyclical rise and fall in private and mainstream public sector demand for labour (The Job Guarantee). In addition to numerous macro-economic studies supporting the viability of this approach, specific implementation models have been published to engender public debate (Mitchell, 2007; Mitchell & Wray, 2004; Mitchell and Mosler, 2006; Mitchell & Watts, 2003; Mitchell and Muysken, 2008 & 2008b; Quirk, et al., 2006). There are now several macro-economic research centres around the globe advocating this approach. This concept offers unique opportunities for national skill formation and the building of vibrant, healthy, innovative and successfully internationally engaged communities.

As with labour underutilisation and other types of market failure, the state is uniquely capable, and therefore responsible, for addressing the problem of Australia's insufficient skill formation capacity. To do so requires that it play a more significant role as an employer, which constitutes a significant departure from the public policy orthodoxy of the past thirty years that has pointedly denied the state a significant role. Can we not now question the wisdom of this position in the light of its chronic debilitating effect on the Australian labour market? We need to restore a 21<sup>st</sup> century role for the state in direct skill formation, designed in a way that supports the global competitiveness of Australian industry. The clear necessity is for the state to provide experiential opportunities that develop vocational skills designed to abstractly resemble the skilled tasks performed in local labour markets. How this could be done is the subject of the rest of this paper.

## **6. The concept of industrial simulation.**

We can learn to do something by doing it or by doing something that closely resembles it. Specific skills can be isolated and developed through exercises designed to accelerate the process of achieving competence, that abstractly capture the essence of the skilled task. For example, the famous cricketer Sir Donald Bradman developed his much lauded hand-eye coordination in his youth by batting a golf ball against a round corrugated iron water tank (which created a random return trajectory) with a cricket wicket. Musicians practice their scales, while visual artists learn how light falls across a human face, for example, by drawing standardised forms such as cubes, cylinders, pyramids and cones. In the same way, a rigorous analysis of the skilled tasks performed within a local labour market could inform the design of Job Guarantee activities entailed in the provision of services to the community or rehabilitation of the environment, so that provision of community and environmental services also raises national skill levels during all phases of the business cycle.

An effective skills formation system requires specially designed and managed training assets.

Universities and TAFE operate laboratories, workshops, studios, theatres, mock courtrooms, and other simulated environments, in order to conduct exercises for the inculcation of particular skills. Large industrial organisations, like power utilities, also build specialist training areas in which a broad range of vocational experiences can be simulated – such as a linesperson training ground with 100 differently configured power poles, or the mock streetscape at a fire-fighters training ground, or the obstacle

courses of military training. The SkillShare program of 1988-98 required community groups to build training assets such as computer rooms, metal and woodworking factories, commercial kitchens, mock retail outlets, and so forth, usually with very meagre resources, though often with effective results.

National skills formation capacity will be enhanced by establishing a Commonwealth agency with the resources to rigorously survey industry practices and produce state-of-the-art experiential training facilities in conjunction with other institutions (universities, TAFE, Job Guarantee, integration and rehabilitation providers, etc), and to deploy this inventory of venues and equipment according to the strategic planning of each region.

Workplaces are also simulated in training and job creation schemes by adopting processes and procedures that are to be found throughout industry. For example, many SkillShare groups quite self-consciously sought to provide socio-cultural elements of employment such as activity, stimulation and social contact (Jahoda, 1982) by modelling a work-like environment, requiring work-like hours of attendance, strict OH&S, team work, recording of productivity, etc. Had the design of these environments been undertaken with greater rigor, based on authentic research into current and anticipated local industry requirements, furnished with industry-standard equipment, and participants relieved of the pressure of living in abject and precarious poverty by being paid a decent wage, such a system could produce customised skill formation on demand to support the skills needs of Australian industry.

## **7. Proposed system: components**

### **a. Regional analysis and coordination unit.**

Building Australia's skill formation capacity will require the introduction of labour market institutions capable, firstly, of identifying and anticipating skills of strategic value within each regional economy, secondly, of coordinating and aligning regional employment, education and training institutions to addressing the skill development and allocation needs of their regions, and thirdly, of materially supporting skill formation activities.

It is proposed that the Commonwealth establish regional labour market coordination units to support the delivery of a range of labour market support services, whereby several Commonwealth agencies co-locate in order to:

- Conduct multidisciplinary regional socio-economic research & analysis.
- Facilitate industry & community input into regional strategic planning.
- Promote employment, education and training institution alignment with regional economic development strategic plans.
- Provide regional coordination of the Industrial Simulation Service and Job Guarantee Service, including coordinating development of Job Guarantee service specifications.

#### b. Industrial Simulation Service (ISS)

Rapidly adaptable regional skill formation requires establishment of a technical and material capacity within each region to rigorously identify the skilled tasks performed by industry, to design activities that inculcate the skills to perform such tasks in novices, and furnishing the training authorities (school, TAFE, University, Job Guarantee Service, rehabilitation provider, etc) with the venues, technical support, and equipment they require to provide experiential activities to form those skills.

We propose that a Commonwealth government agency be established in every region to support other public agencies in designing and delivering experiential training programs reflecting regional skills formation needs, and to build and manage a national stock of capital equipment and venues. Other agencies (Job Guarantee Service, primary & secondary schools, TAFE, universities, rehabilitation services, corrections services, migrant orientation services, etc) would bring their knowledge of their clientele to the job design process while the ISS role would be to design skill-forming simulations of current regional industrial practices, identified through regular skills audits of local industry.

Other institutions, such as the CSIRO, will have special relationships with the ISS, to design technical training opportunities in special areas, and to channel the labour engaged in the ISS for industrial research undertakings of national strategic benefit.

#### c. Job Guarantee Service<sup>7</sup>

This is a proposed new public institution to rival the magnitude of the Snowy Mountains scheme in terms of national strategic benefit and scale, capable of transforming the social landscape by providing the otherwise unemployed with work not welfare, and using their labour to provide services that raise the quality of life of the most excluded people in our society. The Job Guarantee is conceived as a system of public sector employment paid at the minimum federal award, with particular emphasis on developing skills in local demand while meeting unmet community and environmental needs. It will be engineered to produce an internationally competent world class labour force, generating a high standard of living with improving environmental and social standards. The Job Guarantee will achieve these goals by giving unemployed people skill-enhancing jobs to do. By gradually perfecting their skill working on the federal minimum award wage on the Job Guarantee, jobseekers raise their value to employers while delivering valuable services to their communities. The Job Guarantee is also integrated with the Public Employment Service, facilitating direct contact by employers with people who are demonstrably proficient in the simulated skill sets most closely approximating those the employer is seeking in prospective staff.

Its governance structure will need to be highly sensitive to local sentiment and the needs of the vulnerable, in order to identify and respond effectively to unmet and highly localised need. It must also respond sensitively to concerns that it might displace or impair existing private and public sector activity. It therefore features a requirement that activities proposed for a given local government area be submitted (in a detailed job specification plan) for local council approval, thereby providing for

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<sup>7</sup> For an earlier but more detailed presentation of the mechanics of the proposed Job Guarantee, please consult: Quirk, et al, (2006)

local democratic adjudication as a protection against Commonwealth insensitivity to local concerns. An additional requirement is the regular holding of a community consultation forum, chaired by a local government counsellor, in which managers of the local Job Guarantee services attend, answering questions and receiving suggestions pertaining to all aspects of the service from interested members of the community. The minutes of the consultation would also be required to be tabled at the next local council meeting. By these means, affected parties could alert local government representatives to disadvantages they see in the implementation of a proposed Job Guarantee service, which could prompt the council to require a modification before granting approval. Suggestions for new job guarantee services would be received from any quarter.

The Job Guarantee system would thus harness Commonwealth spending and taxing powers to support delivery of flexible services to communities by people who would otherwise be unemployed or underutilised, impoverished and socially excluded.

*Basic Job Guarantee elements:*

All Australian Citizens, not in full time education, to be guaranteed the opportunity of however many hours of employment they want, up to a combined total of Job Guarantee and other work of 35 hours per week, paid at the minimum award wage.

Performing work of benefit to the community, not otherwise undertaken by the private or public sector to an extent that meets community need, and so designed as to entail the formation of skills valued by local industry.

Core operational and development staff (technicians, trainers, counsellors, coordinators) would operate Job Guarantee Enterprises located across every region, providing a range of services in their communities aimed at maximising social inclusion, equality of opportunity, and improving free public amenity. Anyone seeking work could apply at the JGE of their choice, where counsellors would discuss vocational interests and experiences, and offer a broad selection of mixable and matchable employment opportunities. Trainers would then conduct orientation processes to establish people in their selected roles, gradually reducing contact as the worker settles in. These roles would be designed to incorporate skill forming functions designed with the technical and material support of the ISS, to increase the workers value to the local and general labour market.

Contractions of the labour market would automatically give rise to expansion of skeletal Job Guarantee enterprises, which would organise people into Job guarantee teams. Members of teams may work individually or in any practical combination, while groups of teams would collaborate on larger projects.

The Job Guarantee would be supported in the design and equipping of its numerous workplaces and activities by the Industrial Simulation Service, according to the skills formation strategy of the region.

d. Other institutional partners of the ISS.

*TAFE and Universities*

These institutions would be actively supported by the ISS, through the provision of industry relevant experiential training opportunities, utilising industry-standard

equipment and procedures structured to progressively raise student skills to industry-standard levels of performance. Staff of both these institutions would collaborate in the design and delivery of the experiential program that would complement the academic course of study.

Technical and professional roles would be included in the Job Guarantee offering students up to 20 hours per week of paid (minimum wage) employment offering experience relevant to their area of study. These roles would support the auto-construction implementation strategy (see below).

### *Schools*

Special ISS school enclaves will provide high quality experiential opportunities to primary and secondary students to extend their soft skills and capacity to learn, and inspire interest in the world of work.

### *Rehabilitation Services*

The rehabilitation of people following episodes of ill-health, or criminal conviction, or other sources of social exclusion, could proceed with greater precision, by giving rehab workers the ability to tailor ISS and Job Guarantee services to suit the precise workforce-entry needs of their clientele, effectively giving rehabilitation providers the ability to define any set of rehabilitative activities as a paying 'job'. The requirements of this 'job' may then be progressively altered to more closely approximate an ISS-determined industry standard.

### *CSIRO*

The ISS would support field work, prototype development, proof of concept, and short run production as opportunities for students and others to practice technical and innovation skills.

### e. Self-Construction Implementation Strategy

In real terms, the cost of building Australia's skill formation capacity is the extent to which resources of value to the rest of the community are consumed in the process, and the more rapid and massive its deployment, the greater the impact we would expect it to have. However, the speed of the ISS and Job Guarantee roll-out can be paced to minimise the impact on the broader economy of its resource requirements.

The method of its construction is also significant. One area of work of community benefit, not currently performed by the private or public sector, will be the building of the ISS and Job Guarantee infrastructure itself. The IS System can be built in stages, using many available resources, utilising the technical and professional skill in TAFE colleges, universities, and other institutions, coupled with a mobilization of labour power that is currently under-utilised throughout the community.

With the exception of an initial investment in key capital equipment and accommodation, the extent to which the ISS would consume resources already in use elsewhere in the economy would be minimised through extensive self-construction. The initial focus of the Industrial Simulation Service will be to analyse skills required

by industry on a regional basis and, in co-operation with other institutions, incorporate tasks requiring those skills in jobs designed to be undertaken throughout the community.

Using the labour of Job Guarantee participants and students, the ISS would build an inventory of capital equipment, accommodation and other assets in an initial capital formation stage, which would in turn be used to build further infrastructure. As the system steadily develops, more unutilised labour would be brought into socially useful production using the assets produced in the preceding phase.

The initial establishment of the ISS would include a significant investment in procuring capital equipment (by purchase, lease, donation or self-manufacture) capable of producing the means (tools, technical plans, workshops) of constructing the infrastructure to support the next phase of implementation, which would construct the infrastructure for the next phase, and so on. With rigorous inventory management, significant output could be bracketed within the confines of the Job Guarantee. Following the infrastructure building phase, output would be increasingly directed to delivery of community and environmental services, raising public amenity with each phase of development, enabling a wider group of Australian citizens to participate in the ongoing building of quality communities.

## **8. Conclusion: political considerations.**

Historic resistance to full employment within the centres of political and economic power, and in those academic circles associated with them, contrasts with the clear preference of the bulk of society.

"To take a rather predictable example, during a series of focus groups in the USA, a gap was found between how economists and how the public perceived the economy and interpreted economic signs. While the experts wanted policies that increased productivity and growth, the public perceived a healthy economy as one where everyone has a job (*Business and Higher Education Report*, 1991, cited in Krueger 1994).

This proposal argues that in order to generate a socially inclusive and skilled workforce, the non-employed should be given the opportunity to perform supervised skilled work, because this is how skills are formed. Because the private labour market is chronically incapable of making this investment, the public sector must do so, placing the Job Guarantee model at the forefront of policy options. However, we must acknowledge that employers have been wary of full employment since the bubonic plague wiped out a third of the adult population of Britain in 1349, which emboldened surviving servants to take advantage of their relative scarcity to demand better pay and conditions from their masters. This prompted the Statute of Labourers, which established maximum rates of pay for various occupations, set at rates prevailing four years prior to the plague, and fines for employers paying above them. Late 19<sup>th</sup> - early 20<sup>th</sup> century British Liberals and Conservatives opposed a foundational policy of the early British Labour Party known as 'the Right to Work', which involved the state acting as an employer of last resort fearing that it would strengthen the bargaining position of workers by removing the fear of unemployment that fuelled competition

for jobs and raised profitability<sup>8</sup>. Beveridge argued that unemployment was necessary under capitalism and hence advised Winston Churchill to instigate labour exchanges and unemployment insurance to make its preservation less socially destabilising. Writing in 1943, Kalecki made the point that even if employers were economically better off under a system of full employment, they would still eventually seek its abandonment due to a sense that their social standing was undermined (Quirk, 2003; 2006; 2007; Kalecki, 1971).

Despite being dumped by his own party in the early stages of the Second World War, Robert Menzies won support to lead the newly created Liberal Party in 1945 because of his efforts in opposing the Curtin government's plans to establish post-war full employment (Griffen-Foley). By the time he regained government in 1949, full employment was confirmed in the public mind as unquestionably within the scope of governments to maintain, and Menzies rightly feared that its abandonment would provoke a fatal electoral backlash. By 1970 the OECD was examining how the political problem of public expectation of full employment may be addressed on a global level (Korpi 2002), while in 1971, BHP Chairman Sir Colin Syme publicly campaigned for higher levels of unemployment in Australia, with Phillip Lynch (Minister for Employment and National Service in the McMahon government) threatening to abandon post-war full employment if unions did not moderate their demands (Quirk 2003, 2004). Since the mid 1970s, successive Australian governments have restricted public sector employment to preserve a pool of unemployed people that later became the chronically underutilised members of our highly casualised labour force (Mitchell and Muysken, 2008).

Despite this deep, psychological and historic opposition to full employment, it must be evident to anyone in industry that without significantly more public sector employment to provide on-the-job training in massive numbers, our schools, our universities, our public employment services, will be incapable of delivering them a skilled workforce. Adherence to the use of labour under-utilisation as the driver of productivity closes off the high-skill road for Australia, undermining our *national* interest. Given our disadvantages in terms of production scale, distance from global commercial centres, cultural and linguistic barriers with our near neighbours, the challenges facing us are great, and compete in the global economy we will require higher quality material and social infrastructure to support our industries. If we become capable of a high degree of skill formation, our standard of living will rise and our futures will be more secure. If we do not, our capacity to engage with the world on our terms will fall to a point that we will risk losing our sovereignty, having first sold our country off to those on whom we are growing dependent because of our incapacity to produce the material and intellectual requisites of a 21<sup>st</sup> century society.

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<sup>8</sup> It would also have undermined brutal industrial relations tactics of the time, such as the sympathetic lockout, popular from the 1850s, in which employers would unite to throw whole districts out of work should any of their workers strike, to prevent relatives, friends and neighbours from materially supporting each other during industrial disputes (Svenson, 1995:46).

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