

# **ACT Skills Commission Interim Report**

**Response prepared by  
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## **Introduction**

This response to the ACT Skills Commission Interim Report is written and submitted by Jandy Godfrey and Peter Gordon. Both Jandy and Peter have many years of experience in education and training and in the government and corporate sectors within Australia and overseas. This response has been motivated by their concern for the continuing economic prosperity and social cohesion of the ACT and the region into the future.

The authors welcome the opportunity to comment on the Report and to be part of the consultation process.

## **Executive Summary**

This submission makes recommendations in five different but related fields:

- Increasing the number of skilled migrants choosing to live in Canberra by removing disincentives and increasing incentives
- Motivating more young people to enter apprenticeships by recognising that the entry level wages for apprentices are unattractive compared to other careers
- Maximising the retention of graduates from our universities and the CIT and their successful transition into the ACT workforce
- Keeping mature workers in employment longer, including specific strategies for particular groups, most notably retiring service personnel, public servants and other knowledge workers
- Brokering a positive relationship with the Commonwealth Government which recognizes the important position the Commonwealth holds as the ACT's largest employer in creating a sustainable working and living environment, attracting the most talented people to work in the public service, and retaining them for the long term.

Further, this submission calls for a new approach to government intervention in the labour market through the creation of labour market intermediaries and related employment services

Urgent action is required if the ACT is not to miss opportunities from this period of economic prosperity to create a sustainable and dynamic future for the Canberra community and the region.

## **General comments**

1. The Report (p3) acknowledges that failure to address the skills challenge effectively will result in "a crisis" and also that "the cost of doing nothing could far outweigh the cost associated with addressing skills shortages"

- (p5). The authors recommend, without being alarmist, the strengthening of these statements in order to capture the attention of and motivate a concerted and coordinated investment from government, professional bodies and business in changing the future.
2. The Report calls for an increase in the number of people (p3) living in the ACT but does not suggest a target. Without a specific target, of say 500,000 by 2020, it is difficult to achieve agreement and support for relevant plans and strategies and to allocate an appropriate level of government and non-government resources to achieve the target.
  3. The Report cites ABS data (p4) to show that 31% of the ACT's workforce is employed by the Commonwealth Government. However the Report does not seriously involve the Commonwealth Government in contributing to solving the skills crisis – certainly not commensurate with nearly one-third of the Territory's workforce. It is not likely that the Territory can address the skills crises without a new and positive collaboration with the Commonwealth Government.
  4. The authors understand the Report has been written within the framework provided by "The Canberra Plan" and recommend that the importance and impact of this defining document be acknowledged in the first part of the Report, rather than in the concluding section – Thinking Long Term.

#### **Increasing the number of skilled migrants**

5. The authors endorse the recommendations related to increasing the number of migrants choosing to settle in the ACT and region (p10). In particular the authors support the elimination of Skilled Business Migration program fees and costs and the increased allocation of resources to attract skilled migrants to the ACT and region (p10).
6. However these measures are unlikely to make a significant impact on the overall number of skilled workers attracted to Canberra. The strict citizenship and security requirements for new Commonwealth employees make overseas recruitment extremely difficult, especially the employment of ICT professionals. We recommend the ACT Government lobbies the Commonwealth to reduce the security and citizenship requirements in departments where these measures are not strictly necessary.
7. The introduction of new visa regulations by the Commonwealth on 1 September 2007 has made the recruitment of ICT professionals to Canberra almost impossible. The new legislation prevents labour hire firms from sponsoring 457 workers unless they meet certain onerous conditions. According to the Information Technology Contract and Recruitment Association there were 400 applications a month for ICT

professionals on 457 visas prior to 1 September. This number has reduced to zero since that date. The authors recommend lobbying the incoming Commonwealth Government to wind-back this legislation.

8. The recruitment of skilled workers from overseas is extremely competitive and Canberra is much less attractive to migrants than Sydney, Melbourne and Brisbane. The authors commend the recommendation to offer incentives of temporary housing, transitional work, health and educational support. Without these measures, the target of 2% of Australia's annual migrant intake will not be met. In particular the authors recommend that the requirement for 457 workers to pay school fees at ACT Government Schools equivalent to those charged to international students be dropped forthwith. Workers on 457 visas pay income tax and other indirect taxes and contribute to the economy in many other ways. There is no economic justification for charging full-fees.
9. When people contemplate moving to a new country and a new community, their first concern is finding work and their second is finding somewhere suitable to live. Canberra's shortage of affordable housing is discouraging many people from coming here. There are many instances in our history where Government has provided temporary housing and other incentives to attract skilled professionals to Canberra. Most new skilled migrants have the capacity to pay commercial rents. It is therefore proposed that an attractive "village" of different types of housing be developed on a commercial basis specifically for rental by new arrivals for the first six to twelve months in Canberra.
10. Since 2004, the introduction by the Commonwealth of five migration points for full-fee paying international students studying for two years in selected regional centres has pulled students away from the ACT. By way of comparison the flow of international students to South Australia has increased from 7,903 in 2004 to 11,466 in 2007 an increase of 3,563 students or 45%. In the ACT there were 3,849 international students in 2004 and 4,159 in 2006, an increase of 310 individuals or 8%. The points were introduced to attract students to areas of relatively poor economic and demographic growth with the aim of retaining skilled graduates in regional areas. Even though the ACT desperately needs highly skilled people, the Territory does not meet the economic and demographic criteria. It may be timely to challenge the initial criteria and argue for the inclusion of criteria related to low unemployment and unmet demand for skills. In addition to the potential of retaining these students beyond graduation, each student contributes to the regional economy an average \$30,000 per year in tuition fees and living expenses making it considerably more valuable than tourism and other export earners. The

authors recommend that this matter be taken up with the Commonwealth as a matter of urgency.

### **Increasing the number of apprentices**

11. The report does not mention that the very low wages paid to apprentices are an active disincentive to young people contemplating apprenticeship training. Low wages are also likely to contribute to the relatively high attrition rate of apprentices prior to the completion of their training. A first year apprentice is paid around \$13,000 compared to other school leavers joining the Commonwealth Public Service who are paid around \$35,000 with time off for study and other incentives. (Recently in a one week period there were 35 advertisements in the local press for hairdressers.) In this very competitive environment, incentives directed at young people to encourage them to choose an apprenticeship are essential. A wage enhancement of \$100 per week managed through a group apprenticeship/training scheme similar to that currently run by the Master Builders Association is recommended. Up to 200 young people can be helped per \$1 million in this way.
12. The current incentive to encourage the employment of apprentices is directed towards employers. Understandably, employers need to continue to be motivated to employ apprentices and offer skills development opportunities for them. The continuation of incentives for employers, together with strategies for accelerated training, is strongly recommended.

### **Maximizing the retention of graduates**

13. There are around 24,000 university students enrolled in five institutions in Canberra. Around 7,000 people graduate from these institutions each year. Over one-third of tertiary students come to Canberra from outside the region specifically to enroll in the world class institutions located here. They are amongst the brightest and best motivated and educated young people in the country. Following graduation they are likely to leave the Territory (along with a high proportion of our home-grown graduates) to work in Sydney and other major metropolitan cities. There is anecdotal evidence that they are leaving because they have not made significant links with government, business and other organisations that might be their first employers. The nature of the ACT business community (with a high proportion of micro-businesses employing between one and five people and the Commonwealth Government employing nearly one-third of the workforce) makes it difficult for young people to make contact with small businesses and professional firms. It is recommended that a mix of strategies be put in place to link students, universities and employers (both big and small) in order to maximize the number of graduates remaining in Canberra.

14. To this end the establishment by the ACT Government of labour market intermediaries is recommended. Their role would be to facilitate work placement for students in areas related to their study in order to forge the kinds of relationships that are important for their future employment. This is especially the case for international students who will be more attracted to Canberra institutions if meaningful work placements are available. Without this kind of deliberate and purposeful intervention, students (both Australian and international) usually find work in casual and relatively unskilled employment mostly unrelated to their future professional area. By investing in these labour market intermediaries at a time of economic prosperity, the ACT Government will be “future-proofing” the Territory for possible leaner times in years to come.
15. Many hundreds of school leavers are sucked into the Australian Public Services each year rather than proceeding directly to university. They are attracted by the relatively high salaries and the promise of time off for study and assistance with HECS. However, the pursuit of study, the kinds of courses undertaken and their relevance to work is very haphazard. There are severe skill shortages in the Australian Public Service in areas such as ICT, finance and economics – to name a few. At the same time, universities located in Canberra are finding it difficult to recruit students into these same course areas and some courses may be forced to close. It would seem reasonable that the Australian Public Service and our universities might work together to undertake joint recruitment of the best and brightest students from around Australia, establish shared curriculum and learning environments and implement block release for study. This would ensure that young APS recruits have study and work which is meaningfully related. It would be attractive to young people from outside the region and it would be highly likely that they would remain in the ACT after graduation.

#### **Keeping mature workers in employment longer**

16. There is anecdotal evidence that many highly skilled former public servants find early retirement unfulfilling while others realize they don't have sufficient superannuation to fund a comfortable life in retirement. The numbers of highly trained service personnel retiring from the defence forces and choosing to remain in Canberra is a potential labour pool of great potential. Some find it daunting to compete with younger professionals in the job market and others may wish to establish consultancies or small businesses but are unsure how to proceed. The authors commend the setting up of an alumni register (p20). However a register is likely to be insufficient on its own.
17. The establishment of a specialist job centre for “knowledge workers” wanting full-time, part-time or occasional work combined with intermediaries to link and mature workers and employers and advocate

on their behalf. It might be combined with training and support services in establishing and running a small business, professional practice or consultancy. Other training programs might include technical and project management skills which are in high demand in the ACT. Access to newspapers, the internet, coffee and meeting rooms to provide an “office-like” atmosphere will encourage older adults to come to the centre and be involved in programs in various ways. Considerable effort will be needed to promote the services provided by “the office” to both participants and employers. The skills of this group might be used to spin ideas, to access funding from DEWR and other Commonwealth Departments and to kick-start projects for this and other groups. We recommend that more in-depth research along with a pilot program be funded to ascertain the demand for this and similar services to retain older knowledge workers.

### **Building a positive relationship with the Commonwealth Government**

18. The Report fails to acknowledge the critical role that the Commonwealth Government must play in increasing substantially the population of the ACT in order to ensure the availability of suitably qualified individuals for employment by the Commonwealth Government in the future. Failure to develop of positive working relationship with the Commonwealth may result in the relocation of agencies or entire Government departments to other major centres.
19. Earlier in this submission (*Increasing the number of skilled migrants*) reference is made to several pieces of legislation which actively work against population growth, the employment of skilled migrants and enrolment of international students. It is critical that the ACT Government engages in a meaningful dialogue with incoming Government to remove these impediments

### **Conclusion**

The ACT Skills Commission Interim Report provides a good analysis of the current skills crisis and its causes. Positive and purposeful intervention by the ACT Government is needed now before the situation becomes much worse. We are fortunate that our current economic circumstances may provide the resources to avert disaster in the future.

We need to grow our population to a more sustainable level by encouraging people to come to Canberra from other parts of Australia and from overseas. This will not happen without purposeful intervention by Government.

The ACT Government is well-placed to foster new relationships with the incoming Commonwealth Government in order to redress the legislation which actively discourages skilled migrants and international students from coming to Canberra.

The implementation of pilot programs to put in place labour market intermediaries to facilitate linkages for students and new graduates and for older knowledge workers with employers will be an excellent start. The availability of funding from DEWR, to supplement funds committed by the ACT Government, should be investigated.

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