

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into Labour Hire Employment in Victoria

Melbourne – 28 July 2004

Members

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Witnesses

Mrs L. Yilmaz, Manager, Industrial and Employee Relations: and

Ms N. Boehm, Industrial Officer, Victorian Automobile Chamber of Commerce.

The CHAIR — We are welcoming now from the VACC Mrs Leyla Yilmaz, and Ms Natascha Boehm. Thank you for coming along to our inquiry. You will be aware that the Economic Development Committee is one of a number of standing committees of the Parliament. It is an all-party committee, and we have been given a reference to investigate issues relating to labour hire. No doubt the VACC saw that terms of reference and made a submission, which we are very grateful for. Proceedings today are being recorded by Hansard, and we will provide you with a copy of the transcript so you can correct it. That will take about a week. We intend to have our report into the Parliament by the end of the year, and we will make copies of that available to you as well.

What you say here today because it is a formal proceeding is covered by parliamentary privilege. That privilege of course stops the minute we finish the session. So you need to be aware of that, although I do not think there will be anything in your submission or that you want to speak about in relation to that submission that would need to attract that protection but nevertheless you need to know it. I will invite you to perhaps speak briefly to the submission you have made and then we will have questions and answers.

Mrs YILMAZ — Thank you. With regard to our submission to the inquiry, we tried to keep it relatively short and straight to the point in terms of the major issues affecting our organisation and our industry. The VACC is an employer organisation and we were established many years ago back in 1918. Apparently we have close to 5000 members across Victoria and Tasmania. Membership consists of predominantly small businesses — approximately 83 per cent of our members have less than 10 employees. Our membership consists of employers within the retail motor industry and the retail motor industry — any type of business that relates to the buying, selling, repairing or servicing of motor vehicles. We do not represent the large manufacturers. Our membership essentially includes a dealership network, both new and used cars; the auto repairers; specialist repairers; service stations; body repairers; some small-scale manufacturing, including parts and components; and those who specialise in certain types of practices such as the trimming and making canopy-type products for motor vehicles, bus seats — those sorts of types of businesses.

The VACC represents the interests of its members across a range of issues. Industrial relations is a key service that we provide to the membership, and training has also become very much a key service through the IR stream that is provided to the membership. The VACC had through the membership identified that there were going to be some severe skill shortages back in the early 1980s and through the membership it was determined that the VACC should embark as a group training employer. One of the reasons at the time was, and it is still very much valid today, that our members are small businesses. I might also indicate at this point in time that our membership across Victoria including Tasmania is equally distributed amongst metropolitan and rural areas so the issues affecting the metropolitan areas are very much the same in rural areas in terms of skill shortages.

Given that our members are small businesses they identify that there is a need for skills and skills development in the industry. It is an industry that relies on trade qualifications, and very much so. However, because they are small businesses they are affected in rural areas by their local community and in metropolitan areas through a range of other issues as well. So there are peaks and troughs. Their concern is that although they may be able to engage apprentices themselves, in order to deal with the skill shortage issue they would not always be able to engage full time and — cannot necessarily always guarantee the full employment of an apprentice over the full four years. That is one of the major reasons why VACC embarked on the area group training in the 1980s. Essentially our members who do support that group training service often engage their own apprentices but also engage our own apprentices as well. Currently we have close to 300 apprentices, and that includes school-based new apprentices including trainees. That is both across Victoria and Tasmania.

VACC has noted that the retail motor industry has experienced two significant trends impacting on your terms of reference. One of them is the emergence of group training organisations. There has been quite a significant increase of group training organisations that have focused on our industry. It is not only ourselves but a number of other organisations as well. The second issue is because technology is changing quite rapidly within our industry we are finding through our additional research that the industry itself has evolved and changed over the years. So we are finding that there is segmentation, there is increasing specialisation and hence the types of skills that our industry relies on have impacted on the type of training programs and the types of businesses that have emerged in our industry, including our existing members who have operated for many years. They have also altered their businesses somewhat to deal with the changing needs of technology and their skill bases.

Why is VACC interested in group training? Our experience is that it certainly addresses the skill shortages issue. VACC is involved because we have a commitment to training. We also have a commitment to quality of training,

and we are able to control the quality and outcomes through direct participation. It is responsive to business demands, and we ensure that our apprentices receive the full breadth of skills required. We can guarantee them employment for the duration of their apprenticeship and subsequently they are secured employment after completing their apprenticeship or traineeship with us.

We have also noted that our industry, although it is an industry that predominantly does rely on full-time employees or direct employment, it has in recent times begun using other labour hire-type businesses. The reasons for that are labour shortages. Not only are our members complaining that there are skills shortages; they also complain there are labour shortages, and they are looking towards labour hire companies to assist in that regard. When they have issues relating to employees going on leave et cetera, because they are quite lean and quite small, they do sometimes look to labour hire companies to supplement their needs as required.

In our submission we generally point to issues relating to award coverage. I understand that is one of your terms of reference that you will be looking at — whether individuals in labour hire industry are in fact in a form of precarious employment. We have a serious concern about the use of the word ‘precarious’, and you will note from our submission that we provide information with regard to award coverage and how we actually pay our apprentices and generally what our experience has been. Thank you.

The CHAIR — Thank you for that presentation. Before we start with some questions I want to clarify the group training of the GAS — the VACC’s group apprenticeship scheme. That would be a not-for-profit scheme?

Mrs YILMAZ — The VACC is not for profit, that is correct.

The CHAIR — Would the VACC, or the group apprenticeship scheme that the VACC runs be a member of Group Training Australia?

Mrs YILMAZ — No.

The CHAIR — It is not?

Mrs YILMAZ — No. The VACC is not a member of Group Training Australia.

The CHAIR — Can I ask why? I will preface that by saying that the issue of group training has come up in a number of submissions, and people have in the main been keen for us to maintain a distinction between group training schemes and labour hire per se. But after having spoken to the association yesterday I am interested in why some group training organisations do and do not belong to it.

Mrs YILMAZ — I guess I should have asked my director exactly.

The CHAIR — If you do not know the answer — —

Mrs YILMAZ — I can seek some further instructions, but I know from my experience that VACC as an employer organisation is directly respondent to the principal award that applies to VACC, our apprentices, including our industry, so we do not really need the support of a group training association as such. That, effectively, is our expertise.

The CHAIR — You are big enough yourselves, in a sense.

Mrs YILMAZ — Yes, we have the expertise within our organisation.

The CHAIR — That is fine. Can I ask about sham contracting. You mentioned it in your submission, and the VACC goes to some lengths to remind its members about the problems engaging tradespeople as contractors where clearly that is not what is meant to happen. Is it still a problem? The VACC reminds its members, but does it do that because it is a good citizen or because sham contracting is happening and the VACC needs to deal with that as a problem in the industry?

Mrs YILMAZ — There are two reasons. One is we are noticing there is an increasing interest amongst certain parts of the industry where it is often the individual employees who approach the employer and are asking to be engaged as a contractor. For that reason when we get those calls from members we remind them that technically that would not be a contractor relationship regardless of what they call it. It would be an

employer-employee relationship. We provide them with that information. Why do we do it? It is in our interest to make sure our members comply with various laws and regulations. It is certainly not within our interest to try to promote those sorts of practices, because it will not assist the industry.

The CHAIR — You have suggested that in certain parts of the industry it is more likely. Can you say what parts of the industry?

Mrs YILMAZ — A lot of interest has been in the body repair area amongst tradespeople. It is an area that is very much hit by skills shortages. Individuals who have those qualifications know they are in short supply, and they can demand very high wages. They are proposing that to their own employers.

The CHAIR — We will start questions.

Mr DELAHUNTY — I am interested in elaborating on that. We had a discussion here yesterday about labour hire particularly in the nursing industry last year, until the minister slowed it down because nurses were able to step out of the same job, just change their employer and triple their pay. With the skills shortage do you think that people can see if they go out of their employment they are going to stay at their same job but come back as a contractor — they title it — but double or triple their pay? Could the skills shortage be the reason for it?

Mrs YILMAZ — As to whether it is double or triple pay I think it is to do with tax incentives, to be honest, because in those particular areas they are highly paid anyway and they can demand it. If you are a good painter an employer will not want to lose you because they know if they lose you they are going to have a real tough time trying to find someone to replace you. It is their market at the moment.

Mr DELAHUNTY — You think it is more from a taxation point of view than anything else?

Mrs YILMAZ — I think it is more from a taxation point of view. We did a little bit of research to identify what the level of over-award payment is in our industry, and we found that particularly in the spray painting, panel and paint areas the going rates were much higher than even a trade motor mechanic. We are talking about between \$700 to \$1500 plus for a very good qualified person in that area.

Mr BOWDEN — If you could I would appreciate just an expansion a little bit on the comment that has been made in relation to the injury rate of apprentices in the GAS scheme. It has been suggested through the submission that the GAS apprenticeship rate is extremely low, and other information provided to the committee from a separate source suggests this may not be the same. Could you expand that a little or confirm that the rates are low under the GAS scheme?

Mrs YILMAZ — Perhaps I might explain what the difference is. With our group apprenticeship scheme — or GAS as we refer to it — we only specialise in our industry, and I think that might be one reason why our rates are lower than some other group schemes. Many other group schemes tend to provide a service across a range of industries. The other reason, I think, for our low rates of injury is because when we engage our apprentices we have quite a significant induction program. It is quite intensive — it goes over three days, a bit of hands-on practical as well as face-to-face presentation to the apprentices. I also present in that induction program, and health and safety is very much on the agenda throughout the three days. Most recently we introduced more of a hands-on approach. We take them down to a TAFE and show them what serious issues might be when you are dealing with a hoist, for example, and those sorts of concerns. We show them videos as well. They get the full sense of it before they are placed with a host employer.

The other strategy we have is that we make sure they go to TAFE first. They have their first modules, if you like, the equivalent of what we call modules or competency standards, and those competency standards relate to health and safety. They have those underpinning standards before they are placed with a host employer. Their awareness of health and safety is much more enlightened. When we place them with a host employer, we know the host employer. We have done an assessment of the workplace, we have a close working relationship with the host employer. It is in our interest to make sure the work environment is relatively safe but that the apprentices themselves understand that they need to be aware of health and safety there and they can also control health and safety. That has been our approach, and that is where we may differentiate with some other group training companies. There is other anecdotal evidence. A couple of years ago a WorkSafe inspector came around to see me over another matter, and he did not even realise that at that point we had about 250 apprentices. He was quite

surprised at our rate; he had to check to make sure that it was accurate. We are very proud of the fact that we have a very low rate of injury.

Ms MORAND — How many apprentices do you have now?

Mrs YILMAZ — Actual numbers? We have 297.

Ms MORAND — How does the industry generally try to address the skills shortage? You know that it exists but what sort of things can you do to try to address that?

Mrs YILMAZ — What sort of strategies have we implemented?

Ms MORAND — Yes.

Mrs YILMAZ — Through our education training area we have a person who is out at various schools. He drives a caravan; he is what we call our schools industry liaison officer; he promotes careers to schools. In terms of the caravan he takes with him, he organises a time with the school and participates in consultation with the careers adviser at the school. They focus on kids who have an interest in or may be properly matched with the automotive industry. He takes them through what is required in the industry, if they wish to pursue a career what are the options and how they may pursue a career. He shows them career paths within the industry and so on. It is very much a hands-on approach.

In addition to that we have an individual within our organisation who was one of our apprentices, and who has now worked her way up as a field officer or what we refer to as field officer, and she manages a school-based new apprenticeship program. What that involves is her working closely with TAFE schools and secondary schools. She has initiated a program with a number of these schools where the kids come through and sit for an interview; and we make sure they are matched to the industry. They undergo the induction program and are then placed with a host employer. They are combining their VCE subjects with TAFE training and at the completion of Year 12 they can either articulate into an apprenticeship with us or another employer, or they can decide that this area is not for them and they can go on to university or whatever. They can do that, and so on.

Most recently we have also begun to take on full-time trainees as well, and again all of that is done through the various promotions. We have our web site that promotes careers. We are often invited to attend various information sessions. We participate in those sort of programs as well. Then we have our field officers in our group scheme who are out there regularly promoting the industry and managing our apprentices and trainees.

Ms MORAND — My second question was around injured apprentices. How do you manage injured apprentices? Is it a problem when they have been placed in trying to give them alternative work, for have you got set strategies for how you manage them?

Mrs YILMAZ — Well, it depends on the nature of the injury. The injuries that our employees would sustain might be sprains or strains, and that does require proper management of the claim — management of injuries — so we have a number of options. Because we rely on our membership base we can actually place them with certain host employers that are equipped to provide work who can ensure they can continue to learn their trade, taking into account their injury that they may have sustained. We have had situations where if we have not been able to place them, we have actually brought them into VACC and they would actually work with our field supervisors on various projects which related to their apprenticeship training.

Ms MORAND — So they all get placed back to work when they are able to go back to work?

Mrs YILMAZ — Oh yes, they do not sit at home.

Ms MORAND — Thank you.

Mr JENKINS — The definition of the term ‘apprentice’ now. In the good old days we knew what an apprentice was — they spent a long time getting their trade. Nowadays we talk about apprentices and you have been talking about apprentices, and we talk about new apprentices which are not the traditional apprentice, and still the need for increased skills. I mean if anything the need for increased skills in the industry would require a maintenance of long-term traineeships rather than shorter ones. To what degree, when you talk about apprentices,

are you talking about new apprentices and the traditional apprentices? I do not mean traditional in terms of the trade, because it has changed completely, but I mean longer term trainee.

Mrs YILMAZ — That is a very valid point because often we use the word ‘apprenticeship’ interchangeably with new apprentices. In terms of our apprentices, we have a combination of the traditional apprenticeship. In fact, that is still significantly the major form of training in our industry. To give you an indication, of our 297 apprentices, under the generic term ‘apprentices’, we have 217 that are in full-time, four-year term apprenticeships. These are mechanics; panel beaters; spray painters; and light, heavy, mechanical, electronic and so on types. That is your full four-year term apprenticeship. The only apprenticeship in our industry that is of a lesser term is a parts interpreter, which goes for three years. Then there are the school-based new apprentices, which are really like your part-time apprentices. Actually I might just take another step back: with full-time apprentices, the 217 that I mentioned, that is an articulation up to a certificate level III, if that makes sense. Does that clarify it?

Mr JENKINS — Right.

Mrs YILMAZ — A certificate level III is a full year term of the four-year apprenticeship training at a traditional trade.

School-based new apprentices are often engaged in a traineeship at a certificate II level, which can articulate. The majority interest in our industry has been in trades that they can articulate up. Most of our trades you can articulate up. So underbody, for example, or servicing, which you can clearly articulate into the certificate III. Of those we have 38 at the moment.

Then there are full-time trainees, and full-time trainees are trainees that undergo a program that is usually up to a two-year period, and there are a range of traineeships within our industry. They include tyre fitting, underbody, servicing, wheel aligning, wheel fitting — those type of support specialist areas in the industry; and there are a range of others as well. That gives you an indication. We do not have too many of those — only three at the moment — but most of our concentration is on that certificate III level for full time. Then in Tasmania we have 37 full time and two trainees.

Mr JENKINS — Do you have an idea of the percentage of apprentices in the motor trades that you are looking after, compared with those permanently employed within the industry?

Mrs YILMAZ — I had a feeling that you were going to ask this question. I checked with OTTE to see whether they actually have that kind of data and what the comparison is of those employed through group training as opposed to direct employment. I can seek to obtain that information for you. They have indicated that they would be favourable to providing that information if it can be done.

Mr JENKINS — As long as you are chasing that down, could you also find out whether the number has grown since the 1980s, when the industry recognised there were difficulties and started to put in place a group training scheme to cover that sort of problem, and what the sort of change has been in the number of people being employed? There is an argument that if group training schemes were not in place, then we simply would not be training enough people in a range of industries, and yours is one where the smaller employers are no longer confident or have enough certainty, or would claim not to have enough certainty, to be able to employ somebody for four years on a trade. I would like to have a bit of a handle on that because of some of the information we have been given. I am still trying to come to grips with this paranoid argument going on with the employer organisations, and also whether or not the group training apprenticeship and the real apprenticeship schemes are actually being targeted by the trade unions, for instance, in the same way as some of the labour hire organisations. I think just from the evidence we see just before us that they really were not under the same sort of hammer.

Mrs YILMAZ — I think that group training companies are very different from labour hire companies. I agree with that. In terms of your question relating to numbers of employees, my understanding of the statistics — and I am happy to provide those to you — is that basically a lot of this occurred with the abolition of the old technical schools. Trade training was quite common, and then there was a significant drop in young people undertaking trade qualifications. They were not considered jazzy, sexy — whatever terminology they wish to call it — and we had quite a significant increase in hospitality and tourism and those sorts of areas which attracted young people, and we found a significant drop.

I do know that since the 1980s there have been more group training companies, and my understanding is that predominantly still the training is for the traditional types of trades because the reliance in our industry is predominantly on those types of qualifications. So regardless of whether that training is provided through a training company or directly, that is the focus for traditional trades. Bearing in mind that if they complete a certificate III level qualification, they can still specialise after that — there are still those opportunities. I think if you are asking my view on would there be a difference in terms of the uptake of training within the industry if there were no group training companies, there would be a serious problem — a more serious problem than we have.

Just judging from our own experience we have steadily grown our group scheme. Historically, back in 1983 I think we started with less than 20 and we now have close to 300, and we are still seeking to increase that in order to address the skill shortages, and the members are still crying out for more individuals. If we do not commit to providing that level of training it is going to be even more serious for our industry down the track.

Mr JENKINS — As to the degree to which the trade training you are undertaking would be affected by any changes that may take place in regulation, have you thought about what regulations, if they are put in place by government, would get in the way of group training schemes?

Mrs YILMAZ — Types of regulation?

Mr JENKINS — Yes.

Mrs YILMAZ — We already have federal award coverage in our industry, so the common rule matters that are proceeding at the moment before the Australian Industrial Relations Commission are really going to assist us because from our point of view it increases and reinstates the level playing field, which has been an issue in our industry. So that is a positive. Most of our industry has federal award coverage anyway, so that is predominantly the standard. In terms of health and safety, Chris Maxwell, QC, has been reviewing the Occupational Health And Safety Act, and we have put in a submission to that review as well. He has put forward recommendations in his most recent report that there should be some changes with regards to clarification of responsibilities and control, particularly in group training companies and labour hire-type arrangements. We view that very positively. It has been an issue that we have struggled with, so we think that whatever comes out of it should be positive for group training and for our industry.

I am aware that there are a couple of other inquiries interstate, including a secure employment case in New South Wales. One of the proposals being sought is that individuals who are placed with the host employer should be paid at the same level as the individual employees at that particular site. From the group training point of view I have some concerns about that, the reason being that the standard is the federal award and if we are placed in the situation for our 300 apprentices and trainees where we have to apply different rates across different employers I think that would cause an administrative nightmare, and I think it would also create potential conflict amongst our own employees. I think they need to have a standard and to understand what that standard is. We are not in a position to provide above-award rates.

We provide award rates but we provide other employment benefits, such as for our young kids who are undertaking a certificate III level training program. We provide them with a toolkit which is worth thousands of dollars which they get to keep if they successfully complete. We also make sure that if they have been able to complete their off-their-job training relatively quickly, ahead of time, that additional time is given to them in the sense of additional courses that are paid for by VACC. So they have the opportunity to undertake further training, and these are all positive incentives in terms of skill development. These are incentives that they very much appreciate. We also have a sponsorship arrangement with the Holden racing team, and we have various incentives there. So if they are good they can be rewarded by participating in various race events et cetera.

Mr BOWDEN — Just a very short question about apprentices. Could you please tell me the ratio of female to male among your apprenticeship group?

Mrs YILMAZ — I wish it were better. We have some female apprentices, but we struggle to get female apprentices in. Generally in the industry overall the ratio is five males to one female. In terms of training of apprentices and trainees, I think the ratio is worse than that. I need to get the statistics for you because we did a comparison a few years ago and I am happy to provide them to you as well. Through our experience we have been able to maintain a slightly higher percentage of female participation as opposed to other traditional areas.

Mr BOWDEN — And this is a conscious item in your forward planning?

Mrs YILMAZ — It is something that we are conscious of. One of our field officers is a female, and she went through our own group training scheme and that is very positive. She is out there and being seen. She is very effective in what she does. She relates to the young people entering our industry, so that is one mechanism that we have put in place. We make sure that wherever we can we encourage women to participate. We commenced a women's network to allow for this sort of participation as well. I wish it was better but — —

Mr BOWDEN — But you are working on it?

Mrs YILMAZ — We are working on it, yes.

Mr DELAHUNTY — May I compliment you on the fact that you focused on rural retailers, and as a rural member here I want to congratulate you on that. I congratulate the VACC on trying to address the skills shortages, which is a problem for us — more so in country Victoria than it is in the metropolitan area. So the increase in apprentices is great. I want to come back to the labour hire industry. Do you have any indication of whether there has been any increase in labour hire by VACC over the last five years or so, and if so, why?

Mrs YILMAZ — Sorry, do you mean has VACC used labour hire?

Mr DELAHUNTY — You say you do, but has there been an increase in the use of labour hire over the last five years? You probably do not have the numbers on indirect employees as compared to direct employees.

Mrs YILMAZ — In terms of labour hire there are two aspects. There is the group scheme — —

Mr DELAHUNTY — Take those out.

Mrs YILMAZ — So take those out. Has there been more of a reliance on traditional labour hire-type organisations?

Mr DELAHUNTY — Yes.

Mrs YILMAZ — VACC does not use labour hire organisations. We do not really have the need for that except in administrative support roles — —

Mr DELAHUNTY — What about your members?

Mrs YILMAZ — In terms of members, there has been an increasing interest. It is probably more through frustration than anything else. Generally the approach in our industry is a preference to engage individuals directly, but I have noticed over the years, particularly because of the labour shortage issue, they have looked to labour hire companies to supplement their labour force in peak times, or where individuals have been on extensive leave, or someone has left with very short notice and they are unable to fill the position, then they have relied on labour hire companies.

Mr DELAHUNTY — Do you see that increasing?

Mrs YILMAZ — It is increasing marginally, yes. I think it is. I would not be able to give you a number. From anecdotal evidence through the industrial department I am aware that there has been more of a reliance on labour hire companies.

The CHAIR — Before we finish, can I confirm that the VACC's view is that as far as occupational health and safety goes it supports the continuation of the current joint responsibility arrangements between the host employer, the client and the actual labour hire employer?

Mrs YILMAZ — We do, and the recommendations of Chris Maxwell to clarify those responsibilities are supported by VACC.

Mr DELAHUNTY — You commented on career advisers and your caravan going around. There has been a criticism of too much emphasis on higher education and not enough emphasis by career advisers on the skills or the trades. Have you seen an improvement on that in the last year or two, or are there still criticisms in that area? I know you have been critical before.

We are still critical in that area, and there are a number of reasons for that. Recently there was a report issued on this particular matter, and it is very difficult for career advisers to provide ongoing support in a realistic way unless they can build relationships with industry, and this is where our caravan has been successful, in that Ric, who goes around with our caravan, has developed relationships with these career advisers. Career advisers understandably are inundated with volumes of pamphlets and booklets and all sorts of other things. Often schools have their funding based on the number of kids who complete Years 11 and 12, and that is a deciding factor. Careers advisers often are given, unfortunately, the job to do as an aside, on top of their teaching demands, so it is very difficult for them. It has been identified, and I think there has been some attempt to rectify the situation. Our view is that there is a need to do a lot more work in this area because it is hard for the careers teachers and it is hard for industry to make that connection as well, so there is more work required.

The CHAIR — Thank you very much for coming along today. Your presentation was sensational and we got a lot out of it. If we have a need to follow up with any other questions we will do so, but we should not need to get you back for another formal hearing. We will certainly be in touch if there is anything on which we need clarification.

Mrs YILMAZ — Thank you, and I will endeavour to get those statistics over to you as well.

The CHAIR — Thank you for your time.

Witnesses withdrew.