

## EMPLOYER OPINION OF THE TRAINING GUARANTEE SCHEME : PRELIMINARY FINDINGS

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In the discussion paper *Industry Training in Australia: The Need for Change* (December 1988), prepared by the Employment and Skills Formation Council (ESFC) of the National Board of Employment, Education and Training, it was stated that rapid technological change and the task of structural adjustment require a flexible and highly skilled workforce which, in turn, depends on an improvement in the quantity and quality of training. It was then argued that any improvement in our national training effort would require increased expenditure from both employers and employees.

It was suggested that improvement in education and training within the context of new industrial relations legislation and award restructuring would benefit employees in terms of higher wages, better job satisfaction and improved security of employment; employers, in terms of reduced wastage and turnover rates, fewer demarcation disputes, increased productivity and higher profitability; and ultimately the nation in terms of higher living standards and greater international competitiveness.

In regard funding, the ESFC supported an administratively simple, enterprise-based internal levy with minimal bureaucratic involvement. It was argued that the obligation of employers to spend a specified minimum amount on training would ensure a higher standard of training, lead to greater diversity and flexibility in the training system, give employers greater capacity to influence training, increase investment in training, ensure a more equitable distribution of training costs and change attitudes in enterprises with a traditional approach to skill formation.

In his second reading speech on the Training Guarantee Bill 1990 and the Training Guarantee (Administration) Bill 1990 to the House of Representatives, Mr Dawkins mentioned that the scheme embodied in the bill is a modified version of the one recommended by the EFSC. Employers with an annual national payroll of \$200,000 or more - which is around 8 to 10 full-time employees - would be required to spend the equivalent of 1% of their payroll on eligible training activities from 1 July, 1990 rising to 1.5% from 1 July, 1992 and thereafter.

The Training Guarantee requires employers to spend a minimum amount on approved training which has been defined in broad terms. A key concept is the structured training program which by definition must state in

advance the skills to be acquired, the mechanism by which the skills will be imparted and the means for the identification of learning outcomes or productivity improvements. Eligible training activities include both on-the-job and off-the-job structured training, and management training as well as employee training. The Government believes that employers should spend the money themselves in ways that they consider will maximise productivity or contribute to the skills of the workforce. Any shortfall collected will be used by the government to fund innovative training activities. The main purpose, it was claimed, is not to collect revenue but to encourage employers themselves to spend more on training.

The principal object of the Training Guarantee (Administrative) Act 1990 is "to increase, and improve the quality of, the employment related skills of the Australian workforce so that it works more productively, flexibly and safely thereby increasing the efficiency and international competitiveness of Australian industry" (Commonwealth of Australia, House of Representatives, 1990, p.2). Other objects are to improve the quality of employment related training provided by employers; to encourage further investment by employers in employment related training; to ensure of more equitable distribution of employment related training; and to change the attitudes of industry concerning employment related training.

A number of empirical studies stemming from the implementation of the Training Guarantee (Administration) Act have focussed on training and development practices and expenditure associated with the Training Guarantee Scheme

The Australian Bureau of Statistics carried out a survey of employer training for the period July to September 1990. Data were gathered from a sample of approximately 6,000 employers on training expenditure expressed as a percentage of gross wages and salaries, training expenditure per employee, training hours per employee, training expenditure and number of employers reporting training expenditure. The survey also collected data on the composition of training expenditure including employees' wages and salaries, trainers' costs and other expenditure (e.g. equipment, training rooms). These data were able to be examined in terms of variables such as sector, employer size, industry, payroll size, in-house/external training and fields of training (Commonwealth of Australia, Australian Bureau of Statistics, 1990).

A joint Commerce Clearinghouse/Australian Graduate School of Management (University of New South Wales) survey of training and development practices of 800 Australian organisations in July 1991 examined, among other things, the impact of the Training Guarantee

legislation on a variety of training related activities (Commerce Clearinghouse Australia Limited, 1991). Respondents indicated that since the introduction of the Act they have increased training resources (40%), have given greater attention to the identification of training needs (60%), have been more involved in the delivery of training (63%), and have placed greater emphasis on evaluating the effectiveness of training (53%).

The Australian Taxation Office commissioned independent market research to assess the levels of awareness and understanding of, and the level of compliance with the Training Guarantee. From interviews in June 1991 with 227 senior executives in businesses whose payrolls exceeded \$200,000 but with an annual turnover of less than \$25 million it was found that 97% of employers believed that they would meet the requirement of the Training Guarantee Scheme (TGS), 78% believed that most other employers would fulfil the requirement, 56% stated an increase in investment in training, and 65% considered the TGS to be an excellent or reasonable idea (Commonwealth of Australia, Australian Taxation Office, 1991).

These previous studies have tended to focus on training expenditure and training practices rather than employer attitudes towards the Training Guarantee Scheme. It is the purpose the present paper to report on the preliminary stage of a study on the evaluation by a group of employers and managers concerning the Training Guarantee Scheme introduced by the Commonwealth Government.

## METHOD

During the first year of the Training Guarantee Scheme some 200 enterprise owners, managers and supervisors participating in train-the-trainer courses presented by a state employers' organisation were asked to respond in writing to the two questions: What do you consider to be two positive things about the Training Guarantee Scheme? What do you consider to be two negative things about the Training Guarantee Scheme? In this way more than 400 positive and 400 negative opinion statements were collected about the Training Guarantee Scheme.

## RESULTS

The positive evaluations were able to be grouped into the following categories ordered in terms of response frequency.

Category	Percent Response
Knowledge/skills increase	20
Training promotion	20
General	16
Quality of training	12
Production gain	10
Training awareness	10
Employee development	6
Increased job opportunities/career prospects	2

Equity of training            1  
Staff turnover            1  
Adult learning            1

Typical of opinion statements in each category are:

Knowledges/skills increase

Hopefully, as a result of this legislation, our workforce will be better trained and more competitive in the future.

Training promotion

Forces employers to undertake training for their own good, whereas they may not have done anything without being pressured.

General

Creates a climate in which there is an ongoing importance on training.

Quality of training

Has been training, but much of it has been wasted, now we are forced to analyse what we do.

Production gain

Increase in the number of skilled people in Australia thereby increasing productivity.

Training awareness

Makes one think positively about training.

Employee development

Training offers incentives, career paths and the like to employees.

Increased job opportunities/career prospects

Creates new opportunities for people.

Equity of training

Everyone in the company receives something out of it not just the corporate people if it is introduced properly.

Staff turnover

This should help to alleviate staff turnover which is normally due to lack of growth and challenge.

#### Adult learning

Recognises that education is an ongoing lifelong process.

(Other opinion statements within each of the categories will be presented on OHTs during the presentation.)

The negative evaluations were able to be arranged into the following categories ranked in terms of frequency of response

Category	Percent Response
Training costs	14
Administration	13
Legislation	12
Quality of training	11
General	11
Use of training funds	8
Equity of training	6
Government interference	6
Training requirement	4
Training time	5
Overskilling	5
Production loss	2
Existing training	2
Training limit	2

Examples of opinion statements within each category are:

#### Training costs

Another on-cost for companies, hence increasing cost of production and reducing our competitive edge through making our goods more expensive than imports.

#### Administration

It has created more administrative workload rather than actual training.

#### Legislation

The Training Guarantee has not been thought out : there are too many "ifs" and "buts".

#### Quality of training

There is no control on quality of what or how much has been learned.

#### General

Holds the employer totally responsible for raising employees' value and worth rather than encouraging the employees to do it for themselves.

#### Use of training funds

Companies will spend all allocation on good or bad training courses in order to comply with the Act.

#### Equity of Training

Legislation should ensure that money spent filters through to all levels of employees.

#### Government interference

Appears to be an opening to bigger and greater things learning the "government way".

#### Training requirement

Threshold is too low as it affects very small business where further training may not be possible as all employees may be already fully trained.

#### Training time

Time involved organising and setting up training programs - most small businesses run very lean without spare people.

#### Overskilling

Some employees may not want extra training as they are quite happy just working on the process line.

#### Production loss

For small employers to have one of their staff out of production for training actually reduces output or shuts down part of the plant/production.

#### Existing training

Some companies are successful with "tried and true" methods of training.

## Training limit

Stipulated criteria of the Act may turn out to be an end in itself. This is all we legally have to do - that is enough.

(Other opinion statements will be presented on OHTs during the discussion session.)

## DISCUSSION

The present study has shown the breadth of opinion of employers concerning the implementation of the Training Guarantee (Administration) Act. On the positive side, respondents believe that the Training Guarantee Scheme will increase the quality level of knowledge/skills of the workforce, that it will make employers and employees aware of the need for and benefit of training, that it will promote workforce training and development, that it will improve the quality of workplace training, that it will lead to an increase in productivity, and that it will promote the development of employees as well as increase their job opportunities and career prospects. On the negative side, respondents consider that training will increase costs for enterprises, that the administration of the training is onerous, that the government has interfered with business, that the legislation is deficient in places, that training funds may be used improperly, that training may not be equitably distributed within enterprises, that the quality of training may be lacking in some aspects, that some employers may be unable to find the time for training, that some employees may not need further training and that some employers may reduce existing training to the minimum requirement. The opinions of the respondents tend to be consistent with the Government position that an increase in the level and quality of training, as proposed through the Training Guarantee Scheme, will lead to better job satisfaction for employees, increased productivity and profitability for employers, and greater international competitiveness for our nation. However, there is some concern over time and costs involved in the administration of the Training Guarantee within enterprises. This, in the short term, may lead to a reduction in productivity and profitability, especially for small business.

While respondents tend to agree that the Training Guarantee will lead to a more equitable distribution of the costs of training there is a feeling among some that either or both the threshold is too low or the minimum rate is too high particularly for small business.

As pointed out earlier, the Government favoured an enterprise-based internal training levy characterised by simple administration and

minimum bureaucratic involvement. The present study, however, suggests that employers may have experienced the opposite: the Training Guarantee Scheme has in some cases increased their administrative workload, and is perceived to have brought about further government interference in business.

In conclusion, this paper has presented a range of issues associated with the implementation of one aspect of Government policy on workplace education and training as mirrored in opinion statements elicited from a group of employers. Additional data gathered from employers by the researcher may provide a stimulus for further action on the part of policy makers.

### References

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