

acirrt working paper

# Creating markets or decent jobs?

## Group Training and the future of work

*Abridged version of a report prepared for NCVET*

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## Summary

What do group training companies do? and What do their operations reveal about options for work in the future? In response to these questions this report presents an analysis of four strategically selected contrasting Group Training Organisations (GTOs) The analysis is underpinned by a critical reading of key currents within the literature on the changing nature of work.

This Working Paper summarises the key findings arising from a larger report on Group Training and the Future of Work which was prepared for NCVET - The National Council for Vocational Education Research. The full text of the report can be found at <http://www.ncver.edu.au>

Key findings arising from the fieldwork were that:

- a) the employment relationship is the defining feature of GTOs.
- b) they are embedded in particular labour market flows.
- c) at their best GTOs help labour market arrangements work better and add new dimensions to their operation.
- d) at their worst GTOs can undermine labour market standards by mobilising an opportunistic rather than training ethic amongst employers.
- e) the best way to characterise differences between GTOs is by reference to their dependence on different markets and communities.

Implications for analysis and policy arising from this project are:

- a) The changing content of work: The challenge for policy is not simply to create knowledge workers - it also concerns the form service work takes. The GTOs examined showed how decent, sustainable forms of service work can be promoted and degraded forms of work discouraged.
- b) Changing forms of employment: Several of the GTOs examined highlighted the limitations of thinking in terms of 'standards' vs 'flexibility' and instead showed the viability of establishing standards for flexibility.
- c) The management risk: Our GTOs showed how risk could be more fairly and effectively shared for the good of the apprentices/trainees and employers
- d) Marketisation: If VET policy remains unchanged the network of GTOs delivering the above efficiency and equity benefits will be destroyed.
- e) Building new institutional capacity: state intervention is required to promote and maintain a GTO network built around a '*practical vocational ethic.*'

The key issue concerning work in the future is not whether one is 'pro' or 'anti' market. Rather the choice is whether markets are seen as *an objective to be promoted* or *a constraint with which people, institutions and policies have to deal*. If the former view is taken GTOs will become employment agencies and labour hire firms specialising in employment based training. If the latter view is taken then GTOs provide important pointers on how more decent jobs can be created in the future.

## 1. Introduction

Group Training arrangements involve situations in 'which apprentices or trainees are employed by one company (termed a 'group training scheme') but continuously placed with other enterprises (termed 'host employers') for the purposes of their on the job training.' (ANTA, 1997a: 2). This monograph addresses two questions:

- a) What do Group Training Organisations do?
- b) What do their operations reveal about options for work in the future?

These questions are particularly important for the debate on Vocational Education and Training (VET) policy and practice in Australia today. As one recent report on skills and the future of work has noted: the drastic reforms to VET since the 1980s have resulted in some achievements but also multiplying problems (Buchanan et al 2001a: 7). Some of the achievements have been:

- ◆ increased flexibility and availability of structured training
- ◆ more individuals with portable, nationally recognised qualifications
- ◆ greater responsiveness of VET providers to the requirements of industry.

Against these it needs to be noted that there is a growing number of problems (Buchanan et al 2001a: 7). These include:

- ◆ the system still appears to many at workplace level as 'overly complex, confusing and difficult to access' (Allen Consulting 1999: xiii)
- ◆ despite the shift to a 'demand' driven system, complaints of skill shortages persist
- ◆ levels of training funding and hours provided by employers are falling
- ◆ growing concern about the quality of much of the training provided.

It appears that these problems involve more than issues of implementation. Increasingly questions are being raised about the assumptions underpinning the system and issues of system design. A major challenge in this regard appears to be associated with ambiguity and confusion concerning just what an 'industry led VET system' actually is (Schofield 2002). This confusion has contributed to the failure of many recent VET reforms to engage effectively with the changing nature of work. Policy about skill and work therefore faces two challenges. First, there is a need to properly understand how the nature work is changing. Second, there is the need to ensure that an industry led system is crafted in a way to engage with these emerging realities. This report has been prepared to help those interested in meeting these challenges by providing a summary of some recent leading analyses of the changing nature of work and deriving insights from the operation of Group Training Organisation on what new and more effective responses to these changes might look like.

## 2. Leads from the literature

*Policy literature on Group Training.* The literature on Group Training is patchy. Most of it has been generated as a consequence of various policy reviews and evaluations. The key issues raised by this material are:

- ◆ since 1981 the number of GTOs has grown from a handful to around 200 employing around 35,000 (or 13 percent) of apprentices and trainees
- ◆ almost half these apprentices/trainees are employed by the 20 largest GTOs
- ◆ the overwhelming bulk (in excess of three quarters) of GTOs combine their Group Training activities with some other function - most commonly that of training provision as Registered Training Organisations (RTOs)
- ◆ over the last 20 years government policy on Group Training has moved through a number of distinct phases. Initially it supported autonomous industry and community initiatives to preserve and enhance trades training in tough times. It then moved to promote 'self-financing' arrangements. In more recent times it has sought to 'buy' specific training 'outcomes' such as apprenticeship completions amongst designated disadvantaged groups in the labour market. In short, public policy has shifted from supporting a coherent network of GTOs to establishing a stylised market in employment based training support services based on a of 'purchaser-provider' model of service delivery. Promotion of more GTOs has been regarded as desirable to boost 'competition' in the provision of Group Training services
- ◆ recent policy studies and evaluations have highlighted the unrealistic expectations and assumptions of policy on Group Training. This was clearly apparent in the late 1990s program of 'growth funding' (Mathers 2000). The most recent reports have noted that there is no shortage of GTOs (DETYA/AIG 2001). The challenge is not to create more GTOs - rather it is to get employers to use the established network. Importantly, the most recent ANTA review has noted that as the number of GTO increases competition is increasingly based on price and not quality of service (ANTA 2002: 22). This constitutes a serious threat to the provision of quality Group Training arrangements.

Useful as this literature is it provides most detail on funding and administrative arrangements and only limited insights into the role GTOs perform in the labour market. In making sense of the labour market impact of GTOs we have found four strands in the literature on the changing nature of work particularly useful.

*The changing content of work.* Much of the current debate on this issue has been heavily influenced by notions of knowledge work. The purported rise in importance of new categories of employment such as symbolic analysts has received particular attention (Reich 1992). But this is not the only characterisation of the changing content of work that has emerged in the literature. There is also a significant body of research, especially in the Anglo-Saxon world, which has identified the steady increase in low skill service occupations. For example, over a quarter (28 percent)

of US jobs involves hourly rates of pay which would not keep a family of four out of poverty if a sole breadwinner worked 40 hours a week. Much of the jobs growth in the US in recent decades has taken the form of low wage, service employment. (Mishel et al 2002, Brenner 1998). In studying Group Training we have been mindful that the changing content of work does not just involve the rise of knowledge work. It also involves significant increases in the number of low skill service jobs.

*Changing forms of employment.* Much of the mainstream literature on this topic has asserted that more 'flexible' forms of employment that break the 'rigidities' of the past are emerging. Particular attention has been devoted to casual, contractor and labour hire forms of employment. A growing number of researchers have, however, characterised these developments in quite different terms. For them these changes involve the tacit and sometimes explicit erosion of established labour standards. In the past these were built around a model of standard employment which treated workers as employees, entitled to basic wages and hours of work as defined by public authorities and augmented through the practice of collective bargaining. This literature reveals that growing numbers of non-standard jobs are really sub-standard jobs (eg Watson et al 2003: Ch 6). In this study we have been keen to ascertain whether growth in GTO apprentices and trainees undermine or enhance quality employment based training.

*Novel responses to these developments.* Since the 1980s much of the policy mainstream has been concerned with reshaping social institutions on the market model. The limitations and costs of this reform model are now becoming increasingly apparent. Instead, there is a growing international literature highlighting the benefits of pooling risk more fairly and drawing on and promoting other bases for reform. One of the key insights of this literature is the need to build new institutions that draw on market, state and community resources to share the risks of economic development in general and skills in particular. This literature pays special attention to the role and operation of Community Based Organisations in the labour market. While empirically rich, much of this literature is conceptually underdeveloped. Given the importance of identifying the relative significance of 'market', 'state' and 'community' as factors shaping GTOs in Australia we devoted special attention to the disparate but growing literature on the changing nexus between 'community' and 'work'.

*Community and work.* In recent times there has been a growing literature on the changing nature of the links between community life and work. The steady reduction of 'civic engagement' by growing numbers of people is argued to be symptomatic of a decline in the level of 'social capital' underpinning life in OECD countries today (eg Puttman 1995, 2000). This has triggered a growing interest among governments of all persuasions to increasingly rely on community based responses to current problems (eg community care, community correction, community based employment services and programs) (Rose 1999). A recent literature has emerged, however, which highlights the need for a more critical assessment on the links between work and community (Pocock 2000, 2003: Ch 3). It argues that it is often changes in the labour market which have undermined 'community' structures. Expecting a depleted social institution like 'the

community' to take on more responsibility is, therefore, inappropriate (Pusey 2003). Authors such as Standing have argued there is a need for a new approach to policy on work and skill because

[t]raditional notions of household, firm and state, and class, are not appropriate. We must recreate the imagined community and sense of socio-economic solidarity. What is needed is a structure of firms, associations and public agencies that generate and thrive on communal individualism. (Standing 1999: 397)

Historical studies of the changing nexus between communities and work have highlighted that institutional forms which have been successful in achieving such 'communal individualism' have integrated commitments to maintaining high social, vocational and commercial standards (Black 1984).

*Implications of this material for this project* The literatures considered are not just concerned with making sense of what is happening to work. They also offer leads on how to think through new options for the future (ie ideas about policy). Many challenge the conceptual and empirical adequacy of the key ideas that dominated mainstream analytical and policy debates in the 1980s and 1990s. In particular they question either explicitly or implicitly the notion of competition as embodied in mainstream discourse of this period. Throughout much of the 1980s and 1990s it was assumed that that competition is 'a good thing' - the more competition the better. Equally much labour market analysis has been informed by the assumption that economic and social developments are best understood as involving either the free play of or impediments to competitive market forces.

The literatures drawn on for this project indicate that such modes of reasoning are unhelpful in making sense of how work is changing and how it could evolve in the future. In the realm of work, competition is not necessarily the only or even a desirable objective. Standing, for example, argues that when thinking about policy objectives we should distinguish between work and labour (Standing, 1999: Chapter 1). For him 'work is defined as rounded activity combining creative, conceptual and analytical thinking and the use of manual aptitudes - the *vita activa* of human existence' (ibid: 3). Labour, on the other hand, is quite different. He notes that the Latin basis of the term (laborum) meant 'toil, distress, trouble' (ibid: 4). As such he defines labour as 'arduous ... and conveys of sense of pain ... We may define labour as activity done under some duress, and some sense of control by others or by institutions or by technology, or more likely by a combination of all three' (Ibid). He has subsequently argued that in defining policy priorities one of the key, if not major, objectives should be ensuring we create more 'decent work' and fewer dead-end 'jobs' (Standing 2002: 263-265).

Equally when considering the categories that guide our analysis of how work is evolving we need to abandon the fictions of atomistic workplaces and atomistic workers being engaged in perpetual competitive struggle with other firms and workers. With apologies to John Donne, no workplace or worker is an island. Modern production today is best understood as being embedded in supply chains, flows of finance, norms of consumption and skill eco-systems (Harrison 1992, Keep

and Mayhew 1999, Froud et al 1997 and 2002). The characteristic problems and challenges associated with modern systems of production and service provision are shared by many people. In making sense of work today and defining options for the future our analysis has been influenced by these advances in ethics and concepts concerning work.

### 3. Research design

A common feature of the literature on the changing nature of work is that many of the cross currents rarely engage directly with each other. Sometimes differences take the form of polarised debates over such issues as rising levels of knowledge work or rising levels of low skill services employment. Sometimes paradoxes coexist and are often not worked through. More commonly specialised debates emerge which neglect the insights of researchers working in other areas. The lack of dialogue between those working on the changing nature of service work and those studying the changing nexus between work and community is a case in point.

By its nature such a literature does not lend itself to the neat derivation of tightly defined and agreed hypotheses to test. Rather what is needed is a research design that is informed by the different cross currents. Such a research strategy is common in policy research (Buchanan 1999, Hakim 2000). Given the underdeveloped nature of literature on GTOs our chosen method has involved conducting case studies of four strategically selected Group Training Organisations (GTOs). They have been used to answer the question: what do group training companies do and how do they do it? Material necessary to answer these questions was gathered from all the players involved in the operation of the GTOs. In selecting sites to study we pursued a strategy to capture the diversity of practice prevailing in current GTO arrangements. Our aim was not to generate insights from a 'representative' selection of GTOs. Rather, the aim has been to explore and understand the commonalities in contrasting GTO arrangements. Most importantly we wanted to gain an understanding of the dimensions of diversity amongst current GTOs. Such understandings are important as a complement, and, indeed, are often a necessary prelude, to surveys which are designed to ascertain the incidence of key characteristics of GTOs.

In selecting the GTOs for study we ensured they differed in terms of the following key features/variables:

- ◆ locality: metropolitan and non-metropolitan
- ◆ types of service: whether they were primarily a GTO or whether Group Training services were part of a larger entity
- ◆ occupational basis: whether the GTOs were trades based or whether they were based on non-trade (ie traineeship) forms of training
- ◆ commercial orientation: whether the scheme was run on a 'for profit' or 'not for profit' basis
- ◆ geographic range: including those rooted in a local area and those servicing a wider geographic region
- ◆ age: new as well as long established GTOs were examined
- ◆ size: a variety determined by the number of apprentices and trainees

- ◆ level of government support: determined by whether the scheme received Joint Policy funding or not.
- ◆ In studying these sites we gathered information from:
  - ◆ the GTOs themselves: senior management, field officers and administrative records
  - ◆ host employers: including day to day supervisors as well as workplace managers using the apprentices/trainees from the GTO studied
  - ◆ apprentices/trainees: where possible we interviewed some from traditional occupational groups (eg the metal and building trades) as well as some from groups new to the training system (eg aged care workers, cleaners and security guards).
  - ◆ training providers: TAFE as well as private providers.

The key features of the GTOs studied are summarised in the following table.

**Table 1: Overview of Case Studies**

	Company A	Company B	Company C	Company D
<b>Age (years)</b>	10	18	6	3
<b>No. of staff</b>	18 (GTC only)	55	13	4
<b>No. of apprentices</b>	410	711	[0]	0
<b>No. trainees</b>	90	118	497	67
<b>No. hosts</b>	120	515	97	9
<b>Key occupations</b>	Engineering Fabrication Engineering Mechanical Engineering Electrical Community services (Aged Care)	Carpentry & joinery Motor Mechanics Engineering Fabrication Engineering Mechanical Administration	Community services (Aged Care) Clerical/ Administration Health Support services Hospitality operations	Clerical/Admin Security Guards Cleaners
<b>Geographic setting</b>	Predominantly metropolitan	Predominantly non-metro	Predominantly metropolitan	Metropolitan
<b>Key source of recruits</b>	Advertising and annual recruitment	Advertising and annual recruitment	Advertising Community orgs LMPs	Advertising Community orgs LMPs
<b>Other activities</b>	(NAC & RTO - separate business units)	NAC RTO/skill centres	NA	NA
<b>Institutional base</b>	Employer Association	Community and previously government instrumentalities in the district	'Partnership' with public health sector	ITAB

**Notes:** NAC - New Apprenticeship Centre; RTO - Registered Training Organisation; LMP - Labour Market Programs; ITAB - Industry Training Advisory Board.

## 4. Key findings

The findings arising from the fieldwork were that:

- a) the employment relationship is the defining feature of GTOs. It is their employer obligations that makes Group Training Organisations profoundly different to other training and case management organisations.
- b) *they are embedded in particular labour market flows. It is impossible to properly understand Group Training Organisations without understanding the labour flows within which they are embedded. These flows define the constraints and opportunities available to them. Defining GTOs as 'service providers' producing 'outcomes for sale' completely misses this reality. Consequently much public policy debate on GTOs is poorly informed because it purports to treat GTOs in these terms.*
- c) *GTOs help labour market arrangements work better and add new dimensions to their operation. Specially they can*
  - ◆ increase levels of involvement in employment based training
  - ◆ improve skills development and links between on and off the job training
  - ◆ help maintain standards concerning wages, conditions and safety
  - ◆ improve employment amongst disadvantaged job seekers
  - ◆ improve protection for apprentices and trainees
  - ◆ service industries and not just enterprises.
- d) *at their worst GTOs can undermine labour market standards by mobilising an opportunistic rather than training ethic amongst employers. In particular they can:*
  - ◆ undercut wage rates at workplace and, potentially, sectoral level
  - ◆ undermine training standards by promoting bogus 'traineeships'
  - ◆ primarily operate as intermediaries enabling employers to access training subsidies rather than raise skill levels.
- e) the best way to characterise differences between GTOs is by reference to their dependence on different markets and communities

- ◆ successful GTOs are not spontaneous market phenomenon, rather they evolve out of particular social circumstances
- ◆ those working with established occupational communities have an advantage over those that do not
- ◆ positioning within particular labour market segments has a major effect. Those dependent on up-market clients have more resources to work with than those servicing low paid workers
- ◆ local community identities and allegiances are a resource for some non-metropolitan GTOs but they are rarely available in urban settings.

## 5. Implications for analysis and policy

Our findings about the nature and operations of GTOs have a number of implications about the changing nature and future of work. We can summarise these on the basis of how they advance our understanding of issues and paradoxes noted in the literature considered for this project.

### *a) The changing content of work: the importance of the quality of service jobs*

The literature reveals that the two key developments in the changing content of work involve the rise of both 'knowledge' as well as lower and semi-skilled service jobs. The challenge for policy is not simply to create knowledge workers - important though these are for economic development. As currently structured the labour market is unlikely to quickly evolve in such a way as to give all workers the opportunities to undertake challenging work. Rather, an equally important concern is the form service work takes. Service work need not be servile or menial. Labour intermediaries, like GTOs, could play an active role in ensuring decent, sustainable forms of service work prevail and help enforce labour standards directed at discouraging degraded forms of service work emerging. The better GTOs revealed that they are able to do this by ensuring a fair sharing of the risks of employment and skill formation, their enforcement of publicly defined standards or providing support to apprentices and trainees in their transition from school to work and from adolescence to adulthood, or from long periods out of the labour market into the workforce. In a number of cases GTOs were helpful in assisting with better structuring of seemingly 'dead end' jobs into occupations with at least some career path. As such they offer the possibility of helping the formation of some kind of career progression by the better networking of job opportunities with and between firms. Examples of this were found in the aged care and security industries. Their ability to do this, however, was tightly constrained by the nature of the vacancies they worked with. Where employers had no interest in assisting with this process GTOs could do little to improve the quality of 'dead-end' jobs offering no prospects for advancement or proper on-the-job training.

### *b) Changing forms of employment: the importance of standards for flexibility*

Many workers today are not engaged on the basis of the standard model of employment. This trends that has been underway for some time and is likely to continue. Similar trends have been occurring in the system of employment based training. This is clearly evident in the declining proportion of apprentices and trainees engaged on the basis of a standard employment relationship. Debate, especially in policy circles, is often couched in terms of 'flexibility' versus 'standards.' Experience of a number of GTOs shows this is an unhelpful way of redressing the negative impacts of non-standard work. Rather, their practice reveals that it is possible (and indeed desirable) to assist in developing and operating on the basis of 'standards for flexibility.'

### *c) The management of risk: the need to share and not simply shift it*

One of the perennial problems surrounding education and skill formation concerns the issue of cost. If costs cannot be recouped skill shortages are likely to emerge if market forces alone are relied upon. This is because market arrangements often work to shift the

risks onto the weakest party in any relationship - employment or commercial. GTOs offer a way of sharing risk. In doing so they increase choices available to workers and employers. The benefits of fairer sharing of risk go beyond better cost recovery. They also provide the basis for capturing other economies of scale impossible to achieve if risks are individualised. This especially concerns structures of care and support for younger people making the transition to work. Growing numbers of employers are under pressure to maximise returns from the labour they employ (Watson et al 2003: Ch 12). The preoccupation with deployment is increasingly displacing interest and capacity to develop labour on the job (Buchanan et al 2002). Intermediary structures like GTOs also work to facilitate more effective approaches to simultaneously deploying and developing labour. This is especially so in the way they are helping nurture tacit occupational structures currently emerging, especially in the services sector.

*d) Marketisation: will destroy a coherent network but not all Group Training arrangements*

The form policy takes will profoundly shape the nature of Group Training in the future. 'Market' inspired reforms will destroy the network but not all GTOs. Some quality arrangements will survive, but these only operate in some market segments - namely the up-market segments where the resources needed for support will be (and always have been) available. Down market a different dynamic will emerge. This will be based on wage, hours and price competition. Where margins are eroded by competition GTOs committed to providing a quality service will not have the resources to provide the kind of support structures noted in sections (a)-(c) above. In short, the reality will be that noted by John Stuart Mill: under conditions of competition standards are set by the morally least reputable agent.

*e) Building new institutional capacity: state intervention is required to nurture and deepen a 'practical vocational ethic'*

An effective and inclusive Group Training network requires arrangements based on a 'practical vocational ethic.' There are three key features of this ethic: commercial, occupational and social. The commercial dimension involves recognising but not worshipping the market, what we call the '*not for profit*' principle. The occupational dimension involves a commitment to helping reproduce or help establish coherent vocational structures in the labour market, what we call *the occupational principle*. The social dimension involves what many schemes call 'pastoral care' or services that are not strictly employment related but bear on performance at work like emotional and practical problems associated with the transition from adolescence to adulthood and from education or home to the workforce. We call this the *employee welfare principle*.

Successful GTOs integrate these principles into their everyday operation. If a successful network of such organisations is to be established then active state intervention is needed for two reasons. First, to control rogue organisations that would cut margins and unleash unhealthy and unhelpful competition. Some kind of competition is needed to prevent complacency and offer workers and employers choice. It needs, however, to be structured to enhance and not undermine standards. Second, market based arrangements will never provide effective structures of skill formation and care. Public funds will be vital for the survival and development of this aspect of Group Training operations. In short, public goods such as efficient occupational labour markets and effective systems of employee

welfare will not flourish without some level of public funding. To put this finding bluntly: public funds are needed for the public good provided by Group Training Organisations.

## 6. Conclusion: creating markets or decent jobs?

The nature of work is changing. The experiences of the four Group Training organisations examined offer useful leads for moving beyond paradoxes noted in the literature on the changing nature of work. The key issue to determine is, to use the words of William Beveridge: *is the market to be a servant or master of human development?* If policy promotes 'the market as master' approach then GTOs (along with a myriad of other institutions) will merely work to shift risks to the weakest parties in any economic situation. Differences in the labour market will become more polarised. 'Decent work' will be available to some, especially in the upper reaches of the labour market. Down market, however, we are likely to witness the emergence of a growing army of the working poor as has already occurred in the United States. GTOs could operate very effectively in this environment as brokers and labour hire agencies networking firms with the type of labour they needed, when they needed it. All risks could be pushed on to the low paid and training subsidies could be very efficiently distributed to employers creating marginal jobs through a network of brokers fully conversant on how to access publicly provided subsidies for such 'training.' How sustainable such jobs would be without government support would be uncertain.

This scenario is not inevitable. Rather, the market could be treated as a servant. Competition could be recognised as a constraint to be worked with rather than as an objective to be pursued in its own right. If this approach to policy is adopted then GTOs would help to share the risks of employment and training better to improve choice, labour flows and nurture the development of decent jobs.

If we accept that the challenge is to raise standards of decency for all, not just those operating in the lucrative segments of the labour market, then clearly the latter policy approach must be preferred. Historically, Australia has developed novel ways of promoting fairness at work. One of the legacies of that policy orientation has been the Group Training network of today. We can choose to build up and further develop that legacy. Alternatively we can take it for granted, run it down by further changing its direction and turn GTOs into just another form of employment agency or labour hire tailored to employment based training. The choice is ours to make. But unless decisive action is taken to break with the policy direction of recent years the 'market as master' scenario is the most likely to prevail with all its negative outcomes. The prime one of these will be dismantling a highly successful and novel approach to managing risk in the labour market which is very relevant to the changing nature of work today. We believe this development is highly undesirable. Instead, we believe the best aspects of Group Training policy and practice (eg operation on a not-for-profit basis, prohibition or at least responsible management of downtime, an ethic of social support and a commitment to coherent occupational structures) needs to be consolidated within the current network of GTOs. More importantly these principles need to spread to other labour market intermediaries such as labour hire firms and employment agencies. Currently the flow of influence is running in the opposite direction with the very low labour standards associated with labour hire spreading to GTOs. The more widespread diffusion of quality Group Training principles will be vital if labour market intermediaries of the future are to assist in the development of decent jobs.

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