TITLE: **Bosses flunk training 101**

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The business community has spent 20 years pushing tirelessly for labour market flexibility but, now that it has it, some have figured out that it is a double-edged sword.

In a flexible labour market, wages for skilled workers in high demand can rise really quickly. Who knew!

Last week the Business Council of Australia (BCA) abandoned the last vestiges of any pretence that it wanted free markets to sort out the labour market, and private enterprise to determine investment priorities, when it released its bizarrely titled Pipeline or Pipe Dream? contribution to the Prime Minister's economic forum in Brisbane.

The BCA informs us that under threat is nearly $1 trillion of "potential investment" in the "major projects pipeline". But the BCA also tells us that if we tried to build all the projects at once there might not be enough skilled labour in Australia to get cracking.

It gets worse. The BCA also tells us that because of this massive surge in demand for major construction projects, the wages of the workers with the skill to build them might keep rising.

Despite telling us that the major benefit of the mining boom is the highly paid jobs it helps create, the BCA seems alarmed that what it has been saying might actually be coming true.

The main question in economics is how to allocate scarce resources between competing purposes.

And the answer, according to the BCA for the past 20 years at least, couldn't have been clearer: let the market determine the answer. That is, let the highest bidder win.

When it comes to justifying the multimillion-dollar salaries of chief executives, the BCA has never had a problem with market forces.

Similarly, proposals to rein in those salaries have been met with the assertion that governments should stay out of the market.

At the other end of the spectrum, the BCA has repeatedly blamed unemployment on the (government-stipulated) minimum wage being too high. Remove the minimum wage, we have been told, and the market will sort things out.

But while the BCA has faith in the ability of markets to set the wages of the wealthiest and poorest minorities, it seems that when it comes to electricians, fitters, welders and construction workers, it is losing its faith in deregulation for the majority.

The BCA may have a pipe dream in which $1 trillion of projects get built in the coming decade by the labour force that was trained in the past decade, but in reality the forces of supply and demand will ration the skilled labour between projects, and the projects that actually get built will be the ones that are profitable enough to pay the highest wages.

Just as a deregulated market in waterfront housing means that the best views go to the highest bidders, so too will the best workers go to the projects that pay the most.

The irony in all of this is that the market has never done a great job of allocating workers between jobs, and it has done an even worse job of training the workers of tomorrow. Until governments started listening to the BCA, tens of thousands of apprentices were employed by government-owned electricity, water, rail and telecommunications companies.

Having completed these apprenticeships, skilled workers would flood out of the public sector and be employed by the members of the BCA.

But in the rush to privatise government assets, the crucial training role of the utilities was not only ignored, it was called “feather-bedding” and used as proof of the need for market forces, not government bureaucrats, to run such enterprises.

After 20 years of privatisation and cost cutting, Australia now faces the reality that baby boomers with trade qualifications are retiring and generations Y and X studied management and communications rather than plumbing and welding.

Calls for more foreign workers are simply an admission that big business has failed to invest in training.

If this is a problem, it is a problem created by the market, and a problem that the market will solve with high wages in the short term and more people seeking the skills required to earn those high salaries in the medium term.

If the BCA is serious about market forces then it will have to take the highs with the lows.

But if it wants to go back to old-fashioned centralised wage fixing then it would make sense for the industrial umpire to determine CEO pay as well.

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