

Strategic Review of the Australian Apprenticeships Incentive System.

Ai Group is grateful for the opportunity to make a submission to the strategic review of the Australian Apprenticeships Incentive System. Ai Group and its members have long been strong supporters of the apprenticeship and traineeship system. The system provides the means for employers to develop a pipeline of relevant and in-demand skills for their company and for industry more broadly. The apprentices and trainees benefit from gaining valued skills development from their employment and from their completion of formal training qualifications, which can set them up to secure well-paying jobs and establish good careers. And society benefits from the system because it provides stable, long-term pathways for new entrants to the workforce, many of whom are from diverse backgrounds.

Apprenticeships and traineeships at their core are founded on a formal contract between the employer and the apprentice/trainee. However, the apprenticeship/traineeship ecosystem has evolved over the years to include various stakeholders each with a key role to play. These include training providers, state regulators, group training organisations, and the apprenticeship support network among others. This infrastructure that has been built around the core model demonstrates the value that governments, and society in general, places on apprenticeships. Part of that infrastructure is the funding invested in the model to make sure it remains an attractive proposition for both employers and apprentices/trainees.

Incentives for employers

The Commonwealth Government has provided apprenticeship incentives to employers since 1962, when the 'Country Apprenticeship Scheme' was introduced. It paid employers £3 per week during the first year of the apprenticeship. Apprenticeships have always been encouraged as a pathway for new entrants to the workforce to develop skills for well-paid careers. These apprentices traditionally were young people who did not have the interest or the financial support to pursue professional occupations at university but could fill skilled occupations much needed by industry. The incentives recognised the cost to employers, especially in the first year, of employing and training apprentices with no prior experience or skills.

Sixty years later, the typical apprentice is no longer a sixteen-year-old straight out of tech school. According to the ABS, only 35% of apprentices are aged 15 - 19 years old, with those aged 20 – 24 making up 38%.¹ The cost to an employer of dedicating staff to provide training and supervision for apprentices at work remains, but there are also higher costs associated with paying adult wages. Even for younger apprentices, wage rates rose significantly as a percentage of trade wages in 2013², and the introduction of competency based progression saw many apprenticeship terms effectively reduced by as much as 12 months.

The incentives to employers remain in place, presumably in recognition of the cost to employers of providing employment opportunities and dedicating time to supervision. However, the structure and amounts change regularly, and seemingly bear no relationship to the increasing costs an employer faces.

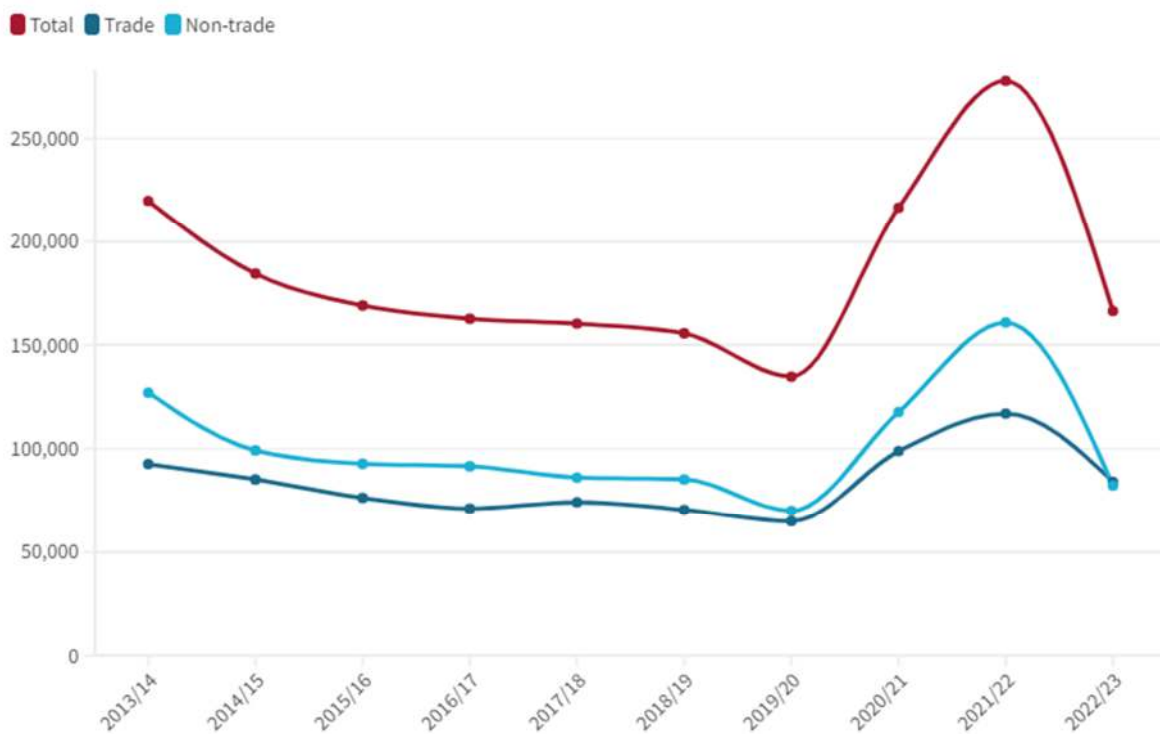
¹ [Education and Work, Australia, May 2023 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/education-and-work-australia-may-2023)

² For example, a first year apprentice's rate of pay increased from 42% of trade rates to 55% for Year 12 completers and 50% for others (Fair Work Commission Transitional Review of Modern Awards —Apprentices, Trainees and Juniors: Common Claims – August 2013).

The question of whether there is value in providing apprenticeship incentives to employers in one that has been considered in many other countries. The OECD publication *Seven Questions about Apprenticeships: Answers from International Experience* notes that employers that offer apprenticeships “shoulder the burden of training and guiding young people through to employment”, but while they benefit from this in terms of productivity in later years and training wages, benefits are also widely shared “impacting on the state and society in the form of higher employment rates and productivity, better health, lower reliance on welfare measures and reduced criminality rates.”³

The state and society benefit from apprenticeships, and there is evidence that properly targeted incentives for employers increase commencement numbers. A cursory viewing of the numbers that commenced apprenticeships and traineeships following the introduction of the generous Boosting Apprenticeships Commencements (BAC) subsidies demonstrates this amply.

Apprentice Commencements



Source: NCVET 2023, Apprentices and trainees 2023 June quarter, NCVET, Adelaide

The BAC program was announced in October 2020 as a response to the drop off in numbers resulting from the pandemic. It was closed to new commencements in June 2022. The BAC was a generous program suited to its time and is now no longer required. The resulting data does, however, indicate the influence of the incentive.

³ OECD (2018), *Seven Questions about Apprenticeships: Answers from International Experience*, OECD, Reviews of Vocational Education and Training, OECD Publishing, Paris.

Incentives for apprentices/trainees

While incentives for employers can improve (or reduce) commencements, incentives for apprentices and trainees are more likely to improve completions. There have been many investigations into why apprentices and trainees leave. The NCVET regularly reports on apprentice and trainee outcomes. Some training contracts are not completed at the employer instigation (9.7% for those whose contracts were cancelled or withdrawn in 2023)⁴, but most are initiated by the apprentice, and often for financial reasons. In the same NCVET report, 23.9% left because the “pay was too low or unhappy with the working conditions or workplace”, 13.7% left because they “got offered a better job” and 12.5% left because they “transferred to another apprenticeship/traineeship, changed career, or studying elsewhere”. While pay may not be the only factor in the above reasons, it is fair to assume that it played a part. An incentive for an apprentice or trainee, especially as they draw within reach of the end, may help convince them to see out the contract.

Ai Group incentive proposal

In our submission to the 2024-25 budget, Ai Group noted that the current financial incentives for employers have been reduced in recent times, especially for those that are not deemed priority occupations, and are set to reduce even further on 1 July 2024. The budget announcement on 14 May confirmed that reduction, although with some minor increases to the incentives for priority occupations. In collaboration with the Australian Chamber of Commerce and Industry and the Australian Council of Trade Unions, Ai Group called for the 2024-25 federal budget to:

- Provide Government support for all apprenticeships and traineeships of no less than 30% in wage subsidy across two years;
- Reinstate the fixed monetary completion incentives of \$2500 to employers;
- Extend the support currently available to apprentices in priority occupations of up to \$5000, to assist in the completion of their training to all endorsed apprentices and traineeships without exception.

Ai Group also noted in our budget submission the emerging interest in higher- and degree-level apprenticeships. These have been mentioned in the 2023 Employment White Paper as a way to provide opportunities for students to obtain higher-level skills, to engage more people in tertiary education and address skills needs of employers.⁵ Higher and degree-level apprenticeships are also supported in the Australian Universities Accord Final Report and in Jobs and Skills Australia’s report *The Clean Energy Generation: Workforce needs for a net zero economy*.

Degree-level apprenticeships currently do not attract any incentives from any government, despite the fact that employers would spend as much if not more time supervising and monitoring the skills development of a degree-level apprentice as any other apprentice. Extending government incentives to approved degree-level apprenticeships would demonstrate formal support for these programs and encourage more employers to participate.

When employers do participate in degree apprenticeships, state legislation currently restricts them from signing a formal training contract with their apprentice unless they are in South Australia (although this has not been tested in every state). This then opens employers to employment restrictions regarding fixed-term contracts, which are now capped at two years. In line with other

⁴ NCVET, Apprentice and trainee outcomes 2023

⁵ Working Future: The Australian Government’s White paper on Jobs and Opportunities, p124

apprenticeships, a formal training contract would provide the employer with an exemption from that rule⁶.

Additionally, if employers wish to contribute to their apprentice's cost of training, as generally happens for most apprenticeships and traineeships, they are required to pay fringe benefits tax on their contribution, which creates a further financial barrier.

Other services and support for employers and apprentices

The terms of reference refer to the complementary role of services, support and high quality training provision to the Incentive System. Support for apprentices and their employers predominantly comes from the Australian Apprenticeship Support Network. Some but not all state governments provide additional supports; for example, Training Services NSW offers supervisor training for employers, and Apprenticeships Victoria employ Apprentice Support Officers who support first year apprentices. Other state governments offer financial incentives. For example, the Western Australian Government offers completion grants to some apprentices.

The Australian Apprenticeship Support Network (AASN) program was re-tendered by the Commonwealth in 2023 and the intention is that the revised service will include improved support for apprentices, trainees and employers, including strengthened mentoring and personal support and improved wrap-around support for some disadvantaged groups.

Ai Group is unable to offer comment about how the new model will operate, although it is positive to see a higher focus on completions, which we support. In past tenders, there has been a focus on improved services; however, the actual support has been minimal. The AASN has been mainly focussed on sign-ups, that is making sure the apprentice/trainee and the employer sign the training contract and that they understand their responsibilities and obligations. How well sign-ups are undertaken is directly related to the resources provided to the AASN.

Anecdotal feedback suggests that some AASN providers see the sign-ups as a numbers exercise. Field officers are expected to complete a targeted number of sign-ups over a given period. If the payment to AASN providers for each sign-up is low, the duration of each sign-up will be brief and the field officer may not have sufficient time to check for understanding. In addition, employers tell us there is little further follow-up from an AASN provider after the sign-up. It is unclear how this service complements the Incentives System. It is more seen by employers as an administrative task to be completed to commence an apprentice or trainee.

Similarly, it is unclear how the provision of high-quality training complements incentives. Our assumption here is that the reference to high quality training refers to the external training provided by the RTO, not the bulk of the training which is provided (and funded) by the employer. RTO training is subsidised by state governments. Sometimes that subsidy equates to the full cost of training but generally there is a residual amount of student contribution which requires payment. Mostly, but not always, that amount is paid by employers. Ai Group's assumption about the reason for including this in the terms of reference is that the state government subsidy towards the cost of training is a benefit to the employer and apprentice/trainee, and should be considered a form of incentive. To some extent this is true, but the funding model works similarly to higher education where the Commonwealth Supported Places program provides a substantial part of the funding, but the student is required to make their own contribution. Both funding models recognise that there is a public benefit from education and training that should be supported by public monies.

⁶ [Fixed term contract employees - Fair Work Ombudsman](#)

The reference to the training as “high quality” is similarly opaque. Any training provided by a RTO and subsidised by government should be high quality, although whether it always is high quality would be challenged by some.

Cost of living pressures

Many Australians, including apprentices and trainees, are facing pressures from the current cost of living. This will no doubt impact on an individual’s decision to apply for an apprenticeship, or on an apprentice’s or trainee’s decision to stay with the job or leave it for another better paying one. Since the average age of an apprentice shifted from teenager to young adult, this has been the case, regardless of the state of the economy.

Ai Group does not support advocating a general increase in apprentice/trainee wages because of the current cost of living. Apprentice and trainee pay rates are lower than full-time rates because they are a training wage. Their wages are set at a rate that takes into account their lower productivity in the early stages, the extra time an employer takes to train them, and the time they need to spend away from work to attend classes (whether in person or online). The wages are a balance between what is appropriate for an apprentice and what is cost effective for an employer who is investing in their training. The NSW examination of apprenticeships in 2010 called it [A Fair Deal](#). The pay rates are lower, especially for an older apprentice who may be living independently, in accordance with their novice worker status.

If the Review Team decides to recommend actions to address the cost of living, they should be temporary in nature and should focus on non-wage payments. Examples include Living Away From Home Allowance, temporary eligibility for Rent Assistance, access to concession cards, or even free public transport.

The role of employers in the quality of apprenticeships and traineeships

There is no doubt that the employer, and other people in the workplace, play the key role in determining the quality of an individual’s experience as an apprentice or trainee. This is where the apprentice or trainee learns their craft. There is formal off-the-job training that might provide some underpinning knowledge, or provide some skills training in an area the employer can’t cover, but it is the workplace that has always been at the heart of an apprenticeship.

Some employers provide a fantastic experience for their apprentice or trainee. These are often companies that have employed apprentices for years, and have well-established processes in place to ensure they receive a well-rounded education. These are the companies that have strong completion rates and win training awards like Employer of the Year. Generally, they are medium to large businesses that have HR departments and sometimes employ apprentice masters.

Other companies do not fare so well with apprentices or trainees. Generally they are smaller companies that are not large enough to run a HR department. Anecdotal feedback from field officers who deal with smaller employers on a regular basis is that they often do not understand their responsibilities towards apprentices or trainees. These are responsibilities like releasing the apprentice or trainee to attend formal training; providing suitable work related to the occupation; and providing adequate supervision.

One way to enhance the performance of employers, especially those new to the system and those who have previously had issues, is to provide apprentice supervisor training. This was provided by Ai Group more than ten years ago, with good results, and is still provided by Training Services NSW. TAFE Queensland similarly offers micro-credential courses in mentoring and safety for supervisors.

The main focus of supervisor training is the responsibilities of the employer and good supervision techniques. It is recommended that the provision of supervision training be made more widely available. Ai Group's experience of providing this voluntary training was that those who attended were already doing well and were seeking to improve further. Finding a way to encourage those employers who would benefit the most from the training to attend is important. It could be a condition for new employers or for those who have had previous issues to attend in order to be eligible for incentives.

Better recruitment practices will also help an employer improve their own completion rate. Most cancellations occur in the first few months of a training contract. This can be because the apprentice or trainee is poorly matched to the work requirements, they had a poor understanding of the nature of the work, they weren't fully aware of the employment conditions including wages, or they didn't get on with others in the workplace. If an employer has good recruitment techniques, many of these problems can be avoided from the outset. Recruitment practices can be included in supervision training, however most employers present to an AASN for sign-up with their apprentice or trainee already selected. Developing recruitment support, and publicising it widely, may help improve practices. This could be a role for an AASN provider or a group training organisation.

Another aspect of apprentices or trainees being poorly matched is that they may have had no prior exposure to the work before they start. There are many pre-apprenticeship programs around both in schools and at TAFEs, but their availability is somewhat ad hoc. Not every school student has access to VET training, and for those with good access - through TAFE or school - options can be limited. For example, for every pre-apprenticeship in mechanical engineering, there would be a dozen in carpentry. Options to provide broad exposure to a variety of skilled pathways should be explored.

Another way to enhance the performance of employers might be to make better use of group training. Group training organisations are a uniquely Australian initiative. They were set up originally to assist smaller businesses to employ apprentices when they weren't able to provide the full range of work experiences required to be a fully qualified tradesperson. Group training organisations have been proven to have better completion rates than small businesses⁷ and their staff are highly experienced at mentoring apprentices and trainees. A strategy might be to require small businesses that are new to apprentice and trainee employment to use group training for the first few years. For businesses that have previously had problems, requiring the use of group training might be a first step before being blocked completely.

For those excellent employers mentioned above, there could be an opportunity to encourage them to take on more apprentices or trainees. Many years ago, it was the practice of large public utility companies to employ more apprentices each year than they needed for their own purposes. These apprentices were well-trained and when they graduated were released into the broader labour market. This ensured a regular supply of skilled tradespeople entering the workforce. If these larger, successful companies were incentivised to take on numbers additional to their own needs, it could improve commencement numbers and improve the completion rate.

There are challenges in incentivising companies to take on additional numbers, even if the incentive equalled the additional apprentices' wages. The key to developing well-trained apprentices is the availability of sufficient skilled and experienced supervisors to oversee their training. These supervisors would need to be backfilled in their normal role to undertake such work, which needs to be funded in some way. In a time of skills shortages, this is not as simple as throwing money at the

⁷ O'Dwyer, L & Korbel, P 2019, Completion rates for group training organisations and direct employers: how do they compare? NCVER, Adelaide

problem. A suggestion from one Ai Group member is to find ways to encourage workers who have recently retired to return as workplace trainers.

Ai Group notes a suggestion by another stakeholder to use a grants program to fund extra personnel in larger companies to provide supervision and pastoral care. This may be a way to help those companies manage additional numbers by re-engaging recently retired workers as apprentice masters or mentors.

Disadvantaged groups

Creating opportunities for those who face additional barriers to obtaining apprenticeship or traineeship pathways is not as simple as providing financial incentives. The terms of reference identify three particular cohorts (women in non-traditional roles, First Nations peoples, and people in rural, regional and remote areas). Other cohorts include people with disabilities, mature-aged workers, people with CALD backgrounds, and long-term unemployed. Each cohort has particular needs and faces different barriers, so should be considered separately.

Ai Group recently concluded a project funded by the Victorian Government aimed at attracting women to STEM-related apprentice and trainee pathways. The project staff found they had more difficulty attracting women to the roles than finding employers who would offer positions. Many women approached were not aware of the career opportunities available through apprenticeships and traineeships and many young women in schools had limited access to STEM-related subjects aligned to trades. They also found that many secondary school careers teachers still had limited understanding of apprenticeships and traineeships and focused on higher education pathways. These issues have been the same for many years, despite various efforts to change perceptions. Effecting any lasting change is a long-term prospect.

Similarly for First Nations people, there are employers who will offer employment opportunities but who struggle to find applicants. Again, better careers promotion is needed to attract more candidates. Strategies that enable First Nations people to access culturally safe training and workplace environments could also assist with both attraction and retention.

Some employers will benefit from training to help them to provide a workplace more attractive to disadvantaged groups. This could be included in a supervision training program.

Mature aged workers form another disadvantaged group for apprenticeships and traineeships. For apprenticeships, the wage rate for a worker aged 21 and over is significantly higher than for someone younger. This is appropriate given that older workers have more financial responsibilities, would probably be living independently and might be supporting a family. However, the higher wage means these workers are less attractive to employers. From time to time there have been financial incentives for employers to take on older workers as apprentices or trainees. A financial incentive would definitely ensure they are more competitive with younger applicants.

There are additional options to easing the burden on an older apprentice. Most will enter an apprenticeship with some employment experience, often related to the occupation they are in. However, opportunities for having that experience acknowledged through Recognition of Prior Learning (RPL) thereby shortening the training program, are often not available, or are so time consuming as to make RPL applications not worthwhile. Training providers often receive reduced government funding if they apply RPL, which makes them less inclined to offer a simple process. More can be done to improve the RPL process. The Trade Pathways for Experienced Workers program in NSW provides a good example of how RPL and gap training can be better implemented.

Beyond RPL, pathways other than apprenticeships or traineeships might be more suitable for an older worker. Again, the Trade Pathways for Experienced Workers program in NSW is one example, but other options should be considered. Older workers should not feel that they have missed out on certain career pathways simply because they did not sign up before they turned 21. Alternative ways to help them access a trade other than through an apprenticeship should be explored.

Terminology

Ai Group notes that some stakeholders have raised the issue of terminology. The Federal Government uses the term 'Australian Apprenticeships', while most states use the terms 'apprenticeships' and 'traineeships'. The term 'apprenticeships' has, in Australia, come to apply only to traditional trades, most of them male-dominated. The term 'traineeships' has evolved to apply to everything else. This demarcation can have implications for how these programs are perceived. Apprenticeships are somehow seen by some as being more worthy than traineeships, even though both programs can offer excellent pathways to highly skilled careers. In other countries, there are no such distinctions made.

Ai Group recommends caution if the review is considering making changes to the terminology.

Conclusion

For most apprenticeships and traineeships, there are still difficulties in finding suitable applicants. Despite years of various innovations such as VET in Schools, the short-lived Careers Advice Australia, numerous careers websites and the National Careers Institute, for secondary schools and their careers teachers the main game is still achievement of an ATAR and pathways into university study. VET in general, and apprenticeships and traineeships in particular, are still seen as sub-optimal pathways for underachieving students. This applies to all students, whether disadvantaged or not.

For those students that display an interest in trade pathways, they need a broader exposure to possible options, beyond the usual suspects like carpentry, plumbing, electrical, hairdressing and motor mechanics.

For Ai Group's members, finding better ways to place apprenticeship and traineeship pathways in front of eligible candidates, and to present the careers they lead to as equally desirable and more achievable than other options, is more important than tinkering with the incentives regime.

However, incentives are important. They demonstrate to employers that their role in skilling the nation's workforce is valued and that the investment they make in it is recognised. Incentives similarly demonstrate to apprentices and trainees that the government understands that they may be foregoing higher wages but wants to encourage them to complete.

Ai Group Centre for Education and Training would be pleased to discuss our submission in more detail, should it be required.