

Designing funding for apprenticeships and traineeships

Priorities for the Skilling Australians Fund and Industry Specialist
Mentoring Program: Submission to the Assistant Minister for Skills

3 July 2017

Executive Summary

The Apprenticeship Support Australia (ASA) Group welcomes the opportunity to contribute to priorities for the Federal Government's future investment in apprenticeships and traineeships.

It is highly concerning that participation in these essential vocational pathways to work is on the decline. While the higher education sector continues to boom, the proportion of training workers has not kept pace despite the outstanding job outcomes they lead to. Urgent action is needed to lift involvement in apprenticeships and ensure our next generation of workers is equipped to meet the demands of the future.

ASA is encouraged by the Federal Government's willingness to re-set the direction of funding for apprenticeships and traineeships. The new \$60 million Industry Specialist Mentoring for Australian Apprentices program provides an excellent opportunity to expand and maximise the benefits of current mentoring initiatives. The \$1.5 billion Skilling Australians Fund sets an ambitious target of 300,000 additional apprentices and trainees, however ASA is confident this can be achieved provided funding is targeted to the right priorities.

This submission outlines ASA's view on the funding priorities for these schemes. These cover the areas of: the direction of the new mentoring program; re-designing employer incentives; addressing transport barriers for apprentices; and supporting access for existing workers to the high quality, structured training that traineeship pathways offer.

Our proposals are guided by our extensive experience within the Australian Apprenticeship Support Network. They are also guided by the independent policy research and advocacy undertaken by the Chamber movement, which represents more than 300,000 businesses Australia-wide.

Taking up these recommendations will maximise the Federal Government's return on investment and opportunities to significantly lift engagement in the apprenticeship and traineeship system.

- Recommendation 1:** Restrict the Industry Specialist Mentoring Program to existing providers
- Recommendation 2:** Increase the overall amount of incentives available for employers to keep pace with inflation
- Recommendation 3:** Reposition incentives toward the first 6-12 months of the training relationship by funding a new early stage incentive for employers
- Recommendation 4:** Better align incentives available to employers commencing a trainee or apprentice in entry level training to the rest of the system
- Recommendation 5:** Review and consult with industry on the policy settings for prior qualifications and their impact on access to incentives
- Recommendation 6:** Introduce a \$1,000 National Apprentices Transport Subsidy to assist training workers with the cost of work-related travel
- Recommendation 7:** Reintroduce a scheme to train existing workers in skills shortage industries

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Part 1: Background

About us

Apprenticeship Support Australia (ASA) is an Australian Apprenticeship Support Network Provider currently operating throughout the states and territories of Queensland, New South Wales, Australian Capital Territory, Victoria, South Australia and Western Australia. This submission has been prepared in consultation with each of the General Managers and Board Members of ASA to ensure it provides an approach capturing and balancing the differing needs of the jurisdictions.

The observations made in this submission are grounded in our two decades' experience delivering apprenticeships and vocational education and training (VET); intelligence gathered by the Chamber movement, which owns the ASA businesses; and consultation and intelligence gathered from Apprenticeship Support Australia clients Australia wide.

The importance of apprenticeships and traineeships

Apprenticeship Support Australia strongly believes the resilience of the apprenticeships and traineeships system is essential to building the future workforce of the nation. The combination of work and learning provided by these structured vocational pathways means participants develop their skills in a practical, 'real world' way while earning a wage.

Apprenticeship and traineeships often lead to highly paid, secure and exciting career opportunities. A 2015 research report found that 85.5% of apprentices had secured full time work within six months of completing their training¹. Conversely, only 62% university graduates were in full time employment six months after completing a degree.

The employment outcomes resulting from a structured apprenticeship or traineeship pathway are even stronger. Research shows that 92.3% of graduates who undertook their training as part of an apprenticeship or traineeship in a trade occupation course and 83.2% of those who undertook their training as part of an apprenticeship or traineeship in a non-trade occupation course were employed after training. This compares to 78.2% of graduates of VET courses overall².

The importance of a resilient, high quality apprenticeship and traineeship – and more broadly, VET - system cannot be overstated. Despite this, however, engagement in the system is not reaching the desired levels.

The Apprenticeship Support Australia network achieves strong retention and completion results for the apprentices and trainees it has a relationship with. Apprentices and trainees participating in our mentoring programs, for example, achieve retention rates of 75%: well above national rate.

As borne out by data from the National Centre for Vocational Education Research (NCVER), however, participation in apprenticeships and traineeships overall continues to decline at a concerning pace³.

Previous research by industry shows several factors have contributed to a gradual 'hollowing out' of the skilled trades and the mismatch between what industry needs, students want and the system is producing. For example:

¹ NSW Business Chamber. (2015). *Paving the Pathway: Addressing Post Year 10 Education*, accessed 25 July 2016 at <<http://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Thinking%20Business%20Reports/Reforming-Post-Year-10-Education-and-Training.pdf>>.

² National Centre for Vocational Education Research (2013). *Student outcomes 2013*. Department of Industry. Australian Government

³ See, for example: NCVER. (2017). *Apprentices and trainees 2016: December quarter*, accessed 27 June 2017 at <<https://www.ncver.edu.au/publications/publications/all-publications/apprentices-and-trainees-2016-december-quarter>>.

- **Demand-driven higher education system:** The introduction of the demand-driven system for higher education has led to a much higher proportion of students choosing to attend university, rather than undertaking a vocational qualification⁴.
- **Change in the type of labour required:** Technical advances have led to a change in the type of labour required in certain industries: for example, the proliferation of pre-fabricated components in the construction industry means that there is a reduced demand for fully qualified builder tradespeople, but an increase in demand for tradespeople who can perform certain construction processes.⁵

These factors should be considered in the overall design of the apprenticeship system.

The importance of funding design

The direction and design of Government funding, however, has a most critical impact on the extent of employer and apprentice/trainee engagement.

The Commonwealth Government's decision to review the direction of Federal funding for vocational education and training (VET) is therefore pleasing.

The \$1.5 billion Skilling Australians Fund replaces the National Partnership Agreement on Apprenticeship Reform. It reduces the overall funding envelope by \$250 million. ASA welcomes, however, the shifted priorities for the new funding source.

Rather than focusing on the complex issue of harmonisation (as was the case with the National Partnership Agreement), the Skilling Australians Fund is specifically linked with the aim of lifting apprenticeship and traineeship participation. The target of an additional 300,000 apprentices and traineeships is a worthy and welcome goal: a goal ASA is well positioned to support.

The new \$60 million Industry Specialist Mentoring for Australian Apprentices (ISMAA) program, which supplements the Fund, is also welcome.

The Minister for Skills has asked for advice from Australian Apprenticeship Support Network (AASN) providers, including ASA, on the best way to design of these new funding streams to lift engagement in apprenticeships and traineeships.

ASA has met with the Minister to discuss initial ideas for the direction of the Fund. This submission explores ASA's proposals in greater detail.

Part 2: Funding priorities

Mentoring

ASA welcomes the opportunity to provide feedback on the \$60 million Industry Specialist Mentoring for Australian Apprentices (ISMAA) program.

Mentoring programs ensure apprentices and trainees remain engaged in their pathway, facilitate better skills uptake and receive the maximum benefit from their training⁶.

⁴ Kemp, D. Norton, N. (2014) *Review of the Demand Driven Funding System—Final Report*, Department of Education & Training, accessed 27 June 2016 at <https://docs.education.gov.au/system/files/doc/other/review_of_the_demand_driven_funding_system_report_for_the_website.pdf>.

⁵ Noonan, Peter. (2016), *Laying the Foundations for Apprenticeship Reform*, NSW Business Chamber, accessed 20 March 2017 at <https://www.nswbusinesschamber.com.au/NSWBCWebsite/media/Policy/Thinking%20Business%20Reports/POL-2342-Laying-the-foundations-report_final.pdf>.

⁶ University of Sydney Business School. *Effective Mentoring, pastoral care and support for apprentices and trainees in group training*, accessed 27 June 2017 at <<http://hdl.voced.edu.au/10707/226125>>.

Through the current mentoring arrangements, the apprentices and trainees who receive support benefit from having a single point of contact for support. As the AASN officer is present when the apprentice or trainee first commences their training program, they are well equipped to identify any potential barriers to completion and intervene with mentoring appropriately targeted to assist them.

Through AASN provided mentoring apprentices and trainees, for example, receive support to assist them to navigate work-related issues, assistance and referral to mental health support if they are experiencing personal difficulties, and, often, engagement directly with their employer to negotiate better working conditions.

For these reasons, ISMAA should be targeted at existing providers, rather than launching an open bid process. This would involve redesigning the profiling tool to target high risk industries in addition to the current methodology which targets individuals.

The existing providers provide quality pastoral care services, have proven results, and the necessary infrastructure to scale. Allowing existing providers to deliver the ISMAA program would ensure that the mentoring outcomes achieved would be truly complementary to existing AASN services. It will also reduce duplication and confusion that may be experienced by employers and apprentices seeking mentoring support services if additional service providers are added to the system.

CASA, for example, provides mentoring support through in-training service provisions to more than 5,200 at-risk apprentices per annum and has met or exceeded benchmark retention and completion rates. In NSW, retention for apprentices participating in CASA mentoring programs has exceeded 75%.

Mentoring for better outcomes: three case studies	
Case study 1: Western Australia	<p>In Western Australia, ASA has been working with a medium sized electrical company that services the domestic housing construction industry. With the down turn in the sector, the business has had to reduce its electrical apprentice staffing levels.</p> <p>Through the ASA mentoring support service, the affected apprentices have been provided with support throughout the redundancy process. ASA has provided intensive assistance with updating their curriculum vitae; accessing employer networks to source potential employment opportunities; using job search platforms; and general advice on continuing and completing their training.</p> <p>One third of the mentored apprentices secured roles with new employers quickly after their redundancy, despite Western Australia's structural economic adjustment reducing job opportunities in their field. The benefits of their experiential training have not been lost and the apprentices are well placed to add value to their new places of work.</p>
Case study 2: Victoria	<p>Through a progress visit in the workplace, ASA discovered that an apprentice was having significant issues at work and was contemplating cancelling his apprenticeship.</p> <p>The Industry Training Consultant identified the apprentice as high risk so referred him to an In-Training Support Officer. The Officer contacted the apprentice and that he felt he was being bullied in the workplace and was expected to work unpaid overtime and away from home on 24/7 call outs for vehicle emergencies. The apprentice also had substantial personal issues, having struggled with depression and insecure housing arrangements.</p> <p>Through weekly contact with ASA, the apprentice was supported to find a new employer who would offer a better working environment. He was also connected with support for his personal difficulties to counselling services from Headspace and Beyond Blue.</p> <p>ASA successfully connected the apprentice with a new employer and he has now recommenced and re-signed. The apprentice still receiving support for his mental health and is continued to be mentored. The apprentice provided the following feedback in an email to his In-Training Support Officer:</p> <p>"I sincerely thank you for your help through this transition, I am truly thankful and appreciate having someone to talk to with through it all".</p>

<p>Case study 3: New South Wales</p>	<p>An apprentice in New South Wales had to have a long period of leave from work due to significant medical issues including surgery and recovery from a brain tumour and diagnosed autoimmune disease. The apprentice lacked family support, having lost both her parents.</p> <p>ASA is mentoring and supporting the apprentice through these issues, including assisting her to liaise with her employer concerning the medical issues she had experienced and the impact this would have on her attendance at work. ASA also engaged with TAFE on the apprentice's behalf to develop strategies to enable her to complete her training, including developing alternative lesson plans and organising remote training through the head teacher.</p> <p>Thanks to ASA's engagement, the employer has been very understanding of the apprentice's difficult personal circumstances including providing her with flexible working arrangements. ASA will continue to mentor and support the apprentice through her current difficulties to ensure she is able to complete her training program and go on to a fulfilling career in her trade.</p>
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Limiting bids for the \$60 million Industry Specialist Mentoring funding to existing providers will provide the opportunity to extend mentoring services beyond the current high-risk cohort that the services are currently limited to.

The Industry Specialist Mentoring Program could, for example, extend mentoring to all apprentices or trainees in industries experiencing significant skills shortages or retention issues.

Skills deficits in hospitality and automotive, for example, could be resolved significantly through the broader availability of mentoring services to apprentices and trainees in those industries.

Recommendation 1: Restrict the Industry Specialist Mentoring Program to existing AASN providers

Employer incentives: the opportunity to reposition

The purpose of incentives in any system is to influence behavior. In the Australian Apprenticeship system incentives on the employer side should seek to motivate employers to engage apprentices and in the training system overall. Having addressed completion rates through mentoring, incentivising commencements will improve throughput thereby also increasing the quantum of completions.

Previous industry research shows employer incentives should be designed in line with the following principles:

- Incentives should target a broad spread of qualifications but not at the expense of entry level qualifications
- Incentives should be targeted toward the early stages (i.e. initial 6-12 months)
- Incentives should be consistent across all jurisdictions
- Incentives should connect school to industry progression⁷

The Federal Government should act to address four main issues with the Australian Apprenticeships Incentives Program (AAIP) that are hampering uptake.

Incentives issue 1: Quantum of employer incentives

Previous experience with incentives indicates they have a greater impact on participation than any other policy or funding approach.

⁷ NSW Business Chamber. (2016). *The future of apprenticeships*, accessed 27 June 2017 at <https://www.training.nsw.gov.au/forms_documents/apprenticeships_traineeships/review_submissions/NSW_Business_Chamber.pdf>.

The significant, positive impact of incentives on participation is observable from the fluctuations in engagement that have been seen with their introduction, then removal.

Apprenticeship commencements were declining, for example, in 2007-08, particularly in the construction and engineering sectors. A Federal Government Kickstart Incentive of \$1,000 was then introduced in December 2009 to November 2010: a significant turnaround in commencements equating to a 2.9% increase was seen at that time⁸. A similar fluctuation occurred on the temporary introduction of another Kickstart incentive for construction in 2013.⁹

Despite this, apart from these temporary measures, employer incentives have not increased in real terms for more than a decade. After adjusting for inflation, incentives have in fact declined in real terms since 1996 by more than 40%, with much of the funding shifted to the final stages of the training relationship.

The Federal Government should look to increase the overall amount of incentives available roughly in line with this figure: i.e. from the current \$4,000 to \$5,500. Given Budget constraints, this could be achieved via a early kick start incentive for employers on specific industries as outlined below. The additional \$1,500 should be paid at six months after completion given the significant employer investment and cost in year one of the training relationship.

Recommendation 2: Increase the overall amount of AAIP incentives available for employers to keep pace with inflation

Incentives Issue 2: Early stage support

Currently, employer incentives are directed at lifting apprenticeship completions and are deferred toward the end of the training period. This is a significant design flaw.

Completion of the first six months of an apprenticeship correlates strongly with ultimate completion of the entire program.¹⁰ Incentives that better support apprentices over the first six to twelve months of their training should therefore be considered.

The Federal Government should fund a new 'Kick Start' incentive for employers, similar to the 2009 and 2013 incentives for engineering and construction apprentices (removed in 2013). The new incentive would consist of a \$1,500 payment to an employer commencing an apprentice or trainee, paid at six months after commencement. There is no additional burden on service providers at this point and an apprentice that progresses to this point is likely to complete.

If budgetary constraints limit the funds available for this purpose, ASA suggests targeting the incentive at specific areas of skills shortage: for example, trades and service based occupations on the National Skills Needs List. This would increase the commencement incentives currently available to employers for National Skills Needs List occupations to a total of \$3,000, as opposed to the current \$1,500 payment.

Recommendation 3: Reposition AAIP incentives toward the first 6-12 months of the training relationship by funding a new early stage incentive for employers

Incentives issue 3: Support for entry level qualifications and traineeships

CASA is concerned about movement away from supporting lower level qualifications.

⁸ See NCEVR data 2010-2013.

⁹ Ibid.

¹⁰ Polesel, J. (2015). *Paving the Pathway: addressing post year 10 education*, NSW Business Chamber, accessed 27 June 2017.

Lower level qualifications such as Certificates I and II are essential in providing young people and disadvantaged individuals with a pathway into meaningful, highly valued work and are often the first step forward to higher qualifications. They also provide new entrants into the workforce, particularly young people and disadvantaged workers, with valuable foundation skills.

While there is certainly a need for a higher level of skills to respond to Australia's future workforce requirements, the drive for higher level qualifications needs to be balanced with the need to maintain the integrity of entry level qualifications and the acquisition of the foundation skills employers need from their workforce.

It is also important that lower level qualifications are recognised as a gateway for young people and disadvantaged individuals to enter the training system, providing opportunities to work towards higher level qualifications.

Incentives for traineeships were significantly reduced in 2011 due to NCVET statistics and advocacy that Certificate I and II programs did not lead to positive outcomes. This threw the 'baby out with the bathwater': reducing access to important entry level programs and leading to some rogue providers adjusting courses to the more costly Certificate III programs, regardless of whether that was the best vocational outcome.

Currently, the incentives available to employers commencing a trainee in Certificate II training are significantly less than those commencing trainees and apprentices in Certificate III and above training. The quantum of standard incentives available to an employer with a trainee undertaking a Certificate II level qualification is now \$1,250 but only for nominated equity groups in contrast to the standard \$4,000 total available to an employer with an apprentice or trainee undertaking Certificate III or higher training.

To support entry level vocational pathways the Federal Government should more closely align incentives available to employers commencing a trainee in Certificate II training with the rest of the system. This could involve providing a \$750 mid-trainee payment to encourage employers to sustain the training relationship.

Recommendation 4: Better align incentives available to employers commencing a trainee or apprentice in entry level training to the rest of the system

Employer incentives issue 4: Eligibility: the issue of prior qualifications

The final main issue with the current positioning of incentives is the impact of prior qualifications and the restrictions of the National Skills Shortage List.

There are two main issues

- **Non-National Skills Shortage List occupation:** Where an employee engages a trainee on a non-National Skills Shortage List occupation they are not eligible to access incentives if the trainee has prior qualifications above Certificate III level. The employer would only be eligible if:
 - The qualification could not be used because of an injury, illness or disability
 - The qualification was over 12 months old and the trainee was registered with Centrelink as a jobseeker for 12 months or more.
 - The trainee was a current Employment Provider Stream B or C client.
- **Overseas qualifications:** Where an employee engages a trainee holding an overseas qualification on a non-National Skills Shortage List occupation they are not eligible to access incentives if the trainee's qualification was above Certificate III level.

The two case studies from ASA's clientele below demonstrate the effect of these issues.

The effect of prior qualifications: two case studies

Case study 1	Case study 2
<p>ASA was approached by an employer signing on a trainee into a non-National Skills Shortage List occupation.</p> <p>The employer had advertised for a Certificate III level trainee in Business Administration. The chosen applicant had highly developed communication skills, was exceptional at interview and was keen to begin the training relationship. She had completed a Bachelor of Arts six months earlier and had found it difficult to secure a job after finishing her studies.</p> <p>The employer was unfortunately advised that they were not eligible for employer incentives through AAIP due to the trainee's Bachelor Degree qualification.</p>	<p>A trainee had completed a Bachelor of Accounting in 2003 in China, a recognised qualification in Australia. He was recently retrenched due to changes in the structure of his previous employer's business and has found it difficult to secure a job. The trainee applied for a traineeship in Certificate III in Business Administration and was successful.</p> <p>The employer was advised, however, that they were not eligible for employer incentives through AAIP due to the trainee's prior overseas qualification.</p>

As shown by the case studies explored above, current eligibility requirements divert employers away from employment trainees and apprentices who already have the foundation skills needed to be productive, engaged workers from their first day on the job. They place barriers before the opportunities of mature workers seeking to retrain in another industry, often because of reduced job opportunities in the field they are qualified to work in.

This is a complex policy issue that urgently needs fixing. The Federal Government should convene a review of the policy settings for prior qualifications, the National Skills List and access to incentives in consultation with ASA and other industry representatives.

Recommendation 5: Review and consult with industry on the policy settings for prior qualifications and their impact on access to incentives

Supporting apprentices

In several jurisdictions the most substantial issue hampering apprenticeship and traineeship participation is on the supply (i.e. apprentice) side.

In the Australian apprenticeship system, incentives directed at apprentices are primarily designed to supplement wages and the costs associated with training (for example, for tools and equipment not paid for by an employer). This is via the Trade Support Loan, which is very restricted in scope and only available for National Skills Needs List trades or horticulture apprentices in regional areas.

A significant barrier to apprenticeship engagement, however, remains the cost and availability of transport. Work sites are often a significant distance from the apprentice or trainee's residence. The cost of purchasing and maintaining a vehicle is prohibitively expensive, a significant issue given that apprentices and trainees in rural and remote areas often do not have access to public transport.

In Victoria, for example, trade apprentices under 18 living in the regional town of Colac (who are not yet eligible for a drivers' licence) must take the regional train to Geelong CBD in order to attend training at TAFE. The cost of this is a prohibitive \$14 for a concessional return fare: a significant expense for a training worker on modest wages.

In NSW, similar issues are experienced by training workers living in regional and remote areas: particularly in Western NSW, the Murray-Riverina and the Far South Coast. In these regions public

transport options are very limited, meaning apprentices must invest in the significant cost of securing and maintaining a vehicle.¹¹ As a result, for apprentices under 18 the only way to travel to work is to car pool or rely on relatives for transport: for many young people experiencing disadvantage, even these options are not available.

The Federal Government should consider introducing a \$1,000 National Apprentices Transport Subsidy¹² to offset part of the cost burden associated with transport and address a key barrier to the supply of people interested in undertaking an apprenticeship or traineeship.

The subsidy could be used to limit the cost impact of travel (e.g. for vehicle registration, public transport costs). If Budget constraints apply, the subsidy could be provided by way of a no-interest loan to be gradually repaid after the training program is complete and after the worker has reached a benchmark wage level.

Recommendation 6: Introduce a \$1,000 National Apprentices Transport Subsidy to assist training workers with the cost of work-related travel

Existing worker trainees

The Federal Government should consider re-introducing a scheme to support existing workers targeted at industries experiencing skills shortages.

Under the current arrangements, employers are charged full fees to train existing workers in most higher level traineeship qualifications. This acts as a deterrent to business investment in upskilling and retraining workers to address future skills needs.

Expanding the existing worker eligibility criteria to include any qualification at or above Certificate III level will allow employers to access the basic incentives. Offsetting the expense of training fees through this change will encourage employers to develop the management skills of their employees, thereby effectively building the trades and services leaders of the future.

This provides prospective managerial staff with a positive view of the vocational training sector and in the longer term fosters a culture of training with the organisation.

Recommendation 7: Reintroduce a scheme to train existing workers in skills shortage industries

A note on the quantum of VET funding overall

The purpose of this submission is not to critique the funding available for VET overall. ASA and other industry groups are, however, increasingly concerned about this issue.

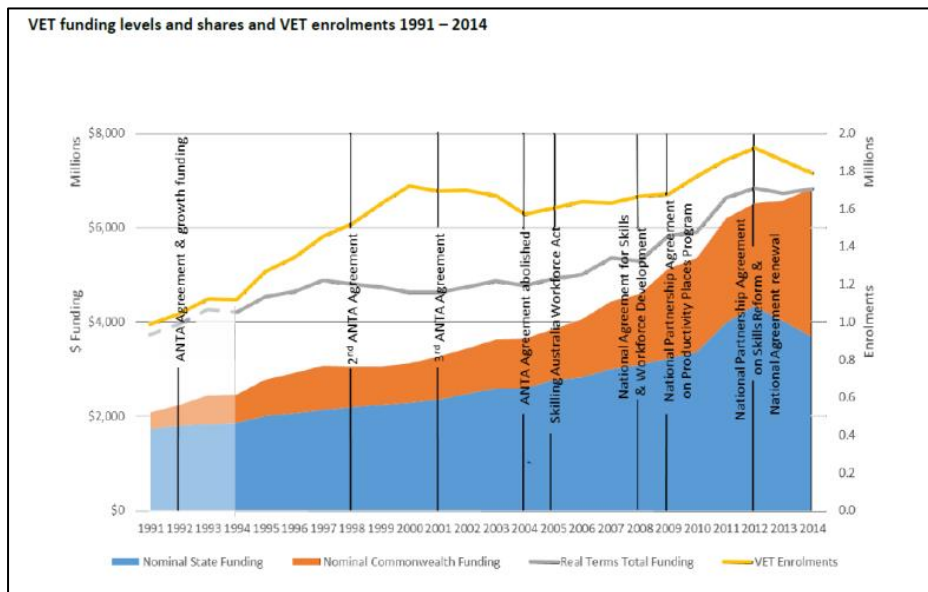
While other parts of the education system continue to see record funding increases, the level of Government support for VET continues to fall. Apart from student loans programs, total Government funding has decreased from more than \$6.5 billion in 2011, to under \$5.5 billion in 2015. This represents an overall funding decrease of 15%.

The funding decrease has taken place across all jurisdictions, as well as via Federal Government sources. Research shows Commonwealth investment in VET has fallen by more than 12% over the five

¹¹ NSW Business Chamber. (2017). *Youth Employment Roundtable: Workshop Summary*, accessed 30 June 2017 at <https://www.nswbusinesschamber.com.au/getattachment/Issues/Issues/Workforce-Skills/Recent-submissions-and-publications/160324-Youth-Employment-Roundtable-2016-Summary.pdf.aspx>

¹² This roughly equates to the vehicle registration and green slip costs

years, with State and Territory funding falling by 17.5%. The below table is taken from the Mitchell Institute's report of March 2016, which shows the steep decline¹³.



As outlined earlier in this submission, VET is a critically important arm of the education system and produces better job outcomes than the higher education sector.

ASA strongly urges the Federal Government and the jurisdictions to reposition focus, funding and policy attention to VET so that the education system is well placed to deliver the workforce of the future.

¹³ Noonan, P. *VET Funding in Australia; background, trends and future directions*, March 2016, Mitchell Institute, Melbourne VIC, http://www.mitchellinstitute.org.au/wp-content/uploads/2016/03/VET_funding_in_Australia_Background_trends_and_future_directions.pdf