Discussion paper: ACPET Apprenticeship and Traineeship policy

Background

Privately-owned Registered Training Organisations are key players within the Apprenticeship and Traineeship system, and, as the sector’s peak body, ACPET has a leadership role in shaping the Apprenticeship and Traineeship system of the future.

Australia’s Apprenticeship and Traineeship system is a framework for facilitating and supporting the employment and training of people within specific trade and non-trade occupational areas. NCVER data (Australian vocational education and training statistics 2012) shows that 3.9% of Australian workers were employed as an apprentice or trainee in December 2012, compared with 3.8% in 2002. Within the trades, 12% of workers were employed as an apprentice or trainee in December 2012, compared with 10.1% in 2002.

Our current apprenticeship system has its origins in a centuries-old indenture system, of which it still carries some of the hallmarks - including several years of on-the-job training with supervision by an experienced tradesperson and a low training wage. The original indentured servant model of apprenticeships involved an apprentice being bound to their employer or master for a period of time, as well as a down payment to the master or employer to recognise the additional time and effort involved in training.

Funding of training and incentives

Funding arrangements for apprenticeships and traineeships vary between states and territories, with some states funding training for trainees in specific industries and others none at all. The current system has involved Commonwealth Government-funded employer incentives for taking on an apprentice or trainee, which have been used for employers to fund training by an RTO and to defray additional costs (eg in time off the job, supervisory arrangements and replacement workers).

Within the broader context of workforce development, incentives have also been available to employers who encourage their existing workers to enrol in an apprenticeship or traineeship as an existing worker.

The picture of what training is funded by the Commonwealth versus what is funded by states and territories is unclear, and this has given rise to allegations that employers have sought to ‘double-dip’ – by having training funded by state governments while also seeking support through incentives from the Commonwealth. This appears to be an ongoing misrepresentation of the actual funding situation, where in fact as states have withdrawn from funding training, employers have looked to use Commonwealth incentive payments instead to supplement the cost of training – for both new and existing workers.

Statistical snapshot

In June 2012, there were 90,800 trade and non-trade commencements by apprentices and trainees. In June 2013, the commencements figure was 58,700, a 30 per cent decrease. The NCVER (Apprentices and Trainees, Early trend estimates, 2013 June quarter) makes the following note about this significant decrease “the substantial growth in non-trade commencements leading up to the June quarter 2012 and the subsequent decline is predominantly due to changes to Commonwealth incentive payments for existing workers, namely the removal of the commencement incentive payment for those apprenticeships and traineeships not on the National Skills Needs List (NSNL).
Under the changes, training needed to have commenced prior to 1 July 2012 to attract the old subsidy rate.”

The Commonwealth Government has made three significant changes to incentive payments for new and existing worker trainees since June 2012, including the removal of all incentives for non-NSNL traineeships for existing workers in August 2013. The latest changes are likely to see a further decrease commencement numbers in the next quarter.

**Completions**

While incentives for both new entrant apprentices and trainees and existing worker trainees appear to have increased the number of enrolments or apprentice and trainee ‘sign-ups,’ completion rates remain low. NCVER data (Completion and attrition rates for apprentices and trainees 2012) records contract completion rates for apprentices and trainees who commenced in 2008 at 45.4% (trade occupations) and 55.4% (non-trade occupations), with higher completion rates for education professionals (70.4%) and design, engineering, science and transport professionals (67.6%). The lowest completion rates were 32.8% for food preparation assistants and 30.4% for food trades workers.

The NCVER data projects a slight improvement in contract completion rates for apprentices and trainees commencing between December 2010 and December 2012, from 47.4% to 48.4% for trade occupations and from 59% to 62.7% for non-trade occupations.

**The way forward**

The incoming Coalition Government has expressed concern about the drop in apprenticeship and traineeship commencements during the past 12 months. While it has announced new interest-free trade support loans of up to $20,000 for apprentices, and has referred to a need to review the apprenticeship system, it has not committed to reinstate or increase employer incentives for new entrants of existing workers.

Against a backdrop of a dramatic decrease in commencements and persistently low completion rates, ACPET is developing key policy principles to support the capacity of Australia’s apprenticeship and traineeship system to meet the skills needs of individuals and industry. These include:

- Recognition that Australia’s apprenticeship and traineeship system has a key role in developing the workforce of the future
- Advocacy for adequate and consistent Government funding to support apprenticeship and traineeship pathways
- Support for a critical review of the apprenticeship and traineeship system to ensure it is meeting the needs of our modern workforce and future skills needs
- Commitment to exploring the role of RTOs in ensuring a ‘fair deal’ for apprentices and trainees and increasing completion rates

Several ACPET members have provided advice and direction on specific issues currently affecting RTOs delivering apprenticeships and traineeships. ACPET’s policy team is looking to members for their views on these broad principles and their implications for advocacy on specific aspects of the apprenticeship and traineeship system as follows:
Recognition that Australia’s apprenticeship and traineeship system has a key role in developing the workforce of the future

- ACPET recognises the important role of apprenticeships and traineeships as one pathway for developing Australia’s future skills needs.
- The delivery and funding partnership model between the Commonwealth and State/Territory Governments should continue.
- ACPET supports a flexible and simplified system that can meet the needs of a diverse range of employers and individuals.

Advocacy for adequate and consistent Government funding to support apprenticeship and traineeship pathways

- In keeping with recognition of the key role of Australia’s apprenticeship and traineeship system, ongoing Commonwealth, State and Territory Government support for apprenticeship and traineeship pathways is crucial.
- **Adequate financial support** should be provided to an employer throughout the period of an individual’s apprenticeship or traineeship; for **new entrants at 3 months and on completion** to defray the costs associated with training, including time off the job and in training.
- Financial support is crucial in ensuring that small to medium enterprises can provide training for their employees and providing access to training for equity groups. **Financial support should be reinstated for part-time new entrant trainees**, many of whom are women.
- **Consistency** of financial support is essential to an effective system: during the past 12 months, the introduction, delay and removal of incentive payments designed to encourage the take up of apprenticeships and traineeships by enterprises and individuals has been incredibly disruptive for employers, individuals and the RTOs that work with them.
- For example, the sudden removal of all incentive payments (at both commencement and completion) for existing workers in non skills priority areas in August 2013 is inconsistent with a strategic approach to workforce development. It has also caused financial upheaval for employers and RTOs who had budgeted for ongoing training.
- Existing worker trainee sign-ups are reportedly non-existent outside the NSNL areas. Lack of employer confidence resulting from knee-jerk decisions has also meant a reduction in apprentice sign-ups in traditional trades.
- Suggestions for the way forward include the **simplification** of the current system of incentives. Who is eligible for what kind of financial support is unclear and complicated, and employers have said that red tape and regulatory burden is the key barrier to them taking on an apprentice or trainee. The burden on business has increased as the system has become more fragmented, and there is a clear need to streamline the current system of incentive/support payments.
- The introduction of a Certificate III entitlement under the COAG agreement could be seen as providing an alternative pathway for people in existing employment to access a Government-funded training place and therefore removing the need for financial support – eg for existing worker trainees. This possibility is removed and a pathway less certain in contexts where entitlements are restricted by sudden changes to student eligibility or course choice by State or Territory Governments.
Support for a critical review of the apprenticeship and traineeship system to ensure it is meeting the needs of our modern workforce and future skills needs

- In line with the first principle regarding support for a strong apprenticeship and traineeship system, ACPET supports a review of the current system to ensure it is delivering on the expectations of individuals, employers and the wider community.

- On face value, the low completion rates do not appear to reflect an acceptable return on the investment made by individuals, employers and Government in the system, and ACPET is committed to supporting greater flexibility to improve this.

- Mary Dickie et al in their 2011 report to BVET on apprentices and their employers in NSW in 2011 made the key point that ‘the Australian Apprenticeships system will require significant improvement to performance, such as retention, completion outcomes and its impact on productivity and innovation if Australia is to respond effectively to the challenges of competing in a global market place’.

Commitment to exploring the role of RTOs in ensuring a ‘fair deal’ for apprentices and trainees and increasing completion rates

- Insightful research has been undertaken into the relationship between apprentices and their employers by Mary Dickie et al, which unpacks the reasons for the success of some apprentices and the failure to complete by others.

- RTOs do and can have a key role in better supporting the apprentice-employer and trainee-employer relationship and ACPET is keen to explore this further, including the options for alternative models to the current (and arguably outdated) apprenticeship arrangements.

- Specifically on apprentices - Mary Dickie’s *A Fair Deal* report suggests that the retention and completion of apprenticeships is about a number of essential elements that constitute a ‘fair deal’ for the apprentices. While financial support (incentives) for employers to take on apprentices have been successful at the front-end – ie in encouraging young people to start in an apprenticeship – they have not resulted in increased completion rates. The research suggests that retention and completion are related to individual aptitude and suitability of apprentices and employers as well as the quality of the apprenticeship experience (ie the essential elements). Since *A Fair Deal* was published there has been significant policy change including the reduction/removal of financial support and a dramatic decrease in commencements – while the settings have changed the observations in *A Fair Deal* still have resonance and relevance in considering how RTOs can assist in ensuring a fair deal for both apprentices and trainees.

Catherine Kearney
Manager VET Policy
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