A shared responsibility
Apprenticeships for the 21st Century
Final Report of the Expert Panel
31 January 2011
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Foreword

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31 January 2011

Dear Minister and Treasurer

On 16 July 2010, the Hon Simon Crean MP, former Minister for Education, appointed the Apprenticeships for the 21st Century Expert Panel to advise the Government on reform options for the Australian Apprenticeships system.

On behalf of the panel, I am pleased to provide you with our final report.

The Australian Apprenticeships system has a long history in Australia as an effective vehicle for employment based learning. It has been the basis of skill formation for many years and we believe this will continue for many years to come. Our findings show that although the Australian Apprenticeships system is not fundamentally broken, there are areas where the system should be reformed to allow it to meet the skills needs of the 21st century economy.

We have placed great importance on ensuring that our recommendations are supported by strong evidence. We have looked closely at the considerable research that has been undertaken on the Australian Apprenticeships system in recent years. Our report is also underpinned by a detailed study of the economic costs and benefits of the current Australian Apprenticeships system which was undertaken by the National Centre for Vocational Education and Research.

We have also taken into account the views of a wide range of stakeholders with whom we have consulted as critical friends. All are driven towards the same outcome: to ensure Australia has a high quality and internationally competitive Australian Apprenticeships system, able to support the nations prosperity into the future.

Inevitably we will not please all of the people all of the time and the recommendations contained in this report are not intended solely to burden government with what is, in reality, a responsibility shared by both industry and government to meet an existing and future business need: that of a more efficient and effective system of producing large numbers of highly trained, highly skilled and highly motivated vocational employees.

I would like to express my gratitude to my colleagues on the Expert Panel - Mr Dave Oliver, Ms Marie Persson, Mr Royce Fairbrother, Ms Simone Wetzlar, Dr John Buchanan and Mr Tim Shipstone for their passion and energy throughout the entire process.
We have all strived to provide a comprehensive response to our terms of reference. We believe our response will provide a robust policy framework for the Australian Apprenticeships system into the future.

Yours sincerely

Mr Jim McDowell
Chair
Apprenticeships for the 21st century Expert Panel
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Executive summary

The Australian Apprenticeships system

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 marketplace. A skilled and flexible workforce that can meet these challenges will be critical to Australia’s future standard of living.

A productive workforce is vital to respond to Australia’s changing needs. The Australian Apprenticeships system provides an ongoing source of skilled labour for the economy. It provides a pathway to skills in the traditional trades and encompasses skills formation pathways for other sectors, such as emerging industries from technological innovation and growth industries including the health and community care services sector. In order to meet these changing needs and improve the Australian Apprenticeships system, governments and industry must work together. This is a shared responsibility.

Apprentices and trainees currently represent 25 per cent of the 1.7 million students enrolled in the Vocational Education and Training (VET) system and 3.8 per cent of the entire workforce\(^1\). The importance of the system is highlighted by the fact that more than 1.2 million workers are represented in the technical and trade sector, which represents more than 13 per cent of the entire Australian workforce\(^2\). The quality, effectiveness and fit-for-purpose nature of the national training system and of the Australian Apprenticeships system will impact on the productivity of the wider Australian economy.

For decades, Australians have completed apprenticeships and traineeships that have provided pathways into satisfying and rewarding careers in a trade or vocation, or into further training, skills development and leadership. It is our responsibility to ensure that Australian Apprenticeships remain a valued pathway.

Our report contains a range of recommendations which are designed to achieve a high quality Australian Apprenticeships system, a system which will meet the skill needs for a changing Australian economy, as well as the aspirations and expectations of all of its participants. A key step towards success is in taking on a ‘shared responsibility’ for outcomes, by all stakeholders. We have considered the National Centre for Vocational Education Research (NCVER) commissioned research and other research sources to inform our recommendations. We have not presented this research in detail in our report, but encourage readers to consider it when available.

The need for reform

We have identified a number of major challenges which we believe need to be addressed if the Australian Apprenticeships system is to meet the skills needs of the 21st century economy. These include:

Skills shortages

It is projected that labour market conditions across the Australian economy will tighten. Overall unemployment is projected to fall to 4.75 per cent by the June quarter, 2012\(^3\). However there are certain sectors of the economy that, despite falling unemployment, are particularly affected by skills shortages, such as engineering and the traditional trades. For example, there is projected to be a shortfall of 36 000 tradespeople in the resources sector by 2015\(^4\). Historically, skilled migration has been

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2. ABS ‘employee earnings, benefits and trade union membership’, 6310.0, August 2009
4. Resourcing the Future, National Resource Sector Employment Taskforce, July 2010
an integral part of the strategy to alleviate skills shortages, combined with Australian Government incentives to promote the Australian Apprenticeships system.

The economic cycle
The current Australian Apprenticeships system is sensitive to the economic cycle, with experience showing that apprenticeship commencements drop markedly during an economic downturn.

Completion rates
Completion rates for Australian Apprenticeships are unacceptably low (about 48 per cent). This represents a significant economic cost, given the time and resources provided for both on-the-job and off-the-job training. There are a range of issues that commonly emerge from the research about reasons for non-completion, including: workplace or employer issues, lack of support, low wages and not liking the work.

Investment in training by employers
We are concerned that the current rate and patterns of investment in training by employers will not address skills shortages. The benefits to employers for investment in training include increased skill levels, improved retention and staff morale. We strongly believe that skills development through apprenticeships and traineeships must be seen as a shared responsibility between governments, industry, individual employers and apprentices and trainees themselves. The system should support those employers that invest in skills development through apprenticeships and traineeships to achieve business productivity outcomes that will benefit the economy over the long term.

The system is complex
The current system suffers from administrative confusion as governance structures, responsibilities and custodianship of the system remain unclear to many users.

Misalignment of the Australian Apprenticeships system and the workplace relations system
The workplace relations system does not complement the Australian Apprenticeships system, which has created potential barriers to the system being able to deliver maximum productivity. For example, most modern awards do not include provision for competency based wage progression.

Four themes
Four themes have emerged from consideration of our terms of reference. The themes highlight challenges associated with the system and suggest reforms to enhance the ability of the system to contribute to the productivity of the Australian economy. The four themes are:

1. A model of skills formation
The combination of employment-based training and formal off-the-job training as a feature of the Australian Apprenticeships system has proven to be a successful model over a long period of time. We have identified three core elements which underpin skill formation through apprenticeship and traineeship pathways: an employment relationship; high quality on and off-the-job training and transferability of skills.

Building on the foundation of these elements, we believe there are three distinct phases that contribute to skill formation through the Australian Apprenticeships system. These are:

- effective pathways for entry into the system
- high quality employment relationships, including high quality training both on-the-job and off-the-job, strong induction processes and effective support such as mentoring and pastoral care
- opportunities for career development.


2. The leadership of the system

Multiple jurisdictional contexts coupled with a lack of clear distinction of the responsibilities of service delivery organisations, have contributed to a confusing and complex experience for participants. This has contributed to a perceived lack of effective overall governance arrangements. We believe a custodian of the Australian Apprenticeships system would greatly improve outcomes from apprenticeships and traineeships.

3. The sustainability of the system

Australian Apprenticeships represent an investment by industry and government. The evidence provided by NCVER and other sources shows incentives paid to employers have only a marginal effect on their decision to employ an apprentice or trainee. It is difficult to target areas of skills shortage with a broadly based ‘one-size-fits-all’ system of incentives. The employment relationship between the apprentice or trainee and the employer, as well as the quality of the training provided are both critical to the successful completion of the Australian Apprenticeship. Support mechanisms for both the apprentice, trainee and the employer, such as mentoring, pastoral care and quality training provision are required. A shared investment by both government and industry is essential to build these support mechanisms into the system. Current Australian Government investment should be redirected to support the successful completion of an Australian Apprenticeship. In addition, alternative support may be required for employers and Australian Apprentices at times of economic downturn.

We have also identified that in supporting the sustainability of the Australian Apprenticeships system consideration should be given to increasing participation in Australian Apprenticeships through three key areas: improving pathways into the system; extending the reach of the system through the engagement of disadvantaged learners; and re-establishing the status of apprenticeships and traineeships system as valued career pathways.

4. Interaction with modern awards and workplace relations legislation

There is currently a lack of integration between the Australian Apprenticeships system and the workplace relations system. We note particularly the inconsistencies in modern awards on a range of issues related to apprenticeship and traineeship wages and conditions. For apprenticeships and traineeships, this includes provision for part-time participation, adult wage rates, allowances and recognition of pre-apprenticeship training. The workplace relations framework needs to complement and support the VET system, be responsive to the needs of industry and encourage the take-up and completion of apprenticeships and traineeships.

The way forward

A system that is responsive to the evolution of the economy and occupations

The return on Australian Government investment in training is not evident in some Australian Apprenticeships compared to others, as found by NCVER. This report also found that some existing Australian Apprenticeships have provided a pathway into the labour market and assist unskilled or disadvantaged groups, who may otherwise struggle to be competitive and to gain employment.

In a time of fiscal restraint the Australian Government should review its economic contributions to the Australian Apprenticeships system. We encourage a discerning and strategic approach to Australian Government financial investment. Therefore we consider that only apprenticeships and traineeships that support equity objectives or that are priorities for the Australian economy should be eligible for ongoing Australian Government financial investment. These would be considered ‘eligible apprenticeships and traineeships’.

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5 NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010
It is important to remember that a fundamental element of an apprenticeship or traineeship is the employment relationship, underpinned by a training contact and quality training. We believe the employment relationship should be protected and maintained during most economic fluctuations. There are a number of ways to achieve this, for example, by innovative and flexible responses, such as reduction of work hours off-set by additional training, increased off-the-job training, placement with other employers within the industry and increased mentoring and support. Assistance should be provided to those employers that make an effort to retain Australian Apprentices and provide training during an economic downturn.

We envisage an Australian Apprenticeships system that supports high quality employment and training arrangements under training contracts for both apprenticeships and traineeships in the traditional trades and also for non-trade vocations. We envisage a system that reflects the requirement for flexibility in a changing economy while maintaining high quality vocational standards overall.

**Quality training and support**

The research is clear that many individuals do not complete their apprenticeship or traineeship due to poor experiences in the workplace, concerns with the employment environment and feeling under-supported. Research also suggests that better support for apprentices and trainees reflects positively on the whole experience and profile of the system, as well as improving retention and completion rates. Mentoring and pastoral care are identified as the most significant support strategies that are particularly beneficial in supporting apprentices and trainees through to completion of their training. Whilst we acknowledge that some employers provide high quality training, mentoring and support, our research suggests that many individuals do not complete their apprenticeship or traineeship due to poor on-the-job experiences. There is also evidence of inconsistency of investment in training by employers. The current system of broad-based incentives does not adequately assure the quality of on-the-job training and other necessary and complementary services provided by employers.

We suggest a new mechanism of structured support for employers and their apprentices and trainees. The financial resources currently devoted to the one-size-fits-all incentives should be re-targeted to support these new mechanisms. Some employers are effective and competent at developing an apprentice or trainee in their workplace. However, not all employers have the same high standards. The assurance of the integrity and high quality of training are of utmost importance. We suggest the establishment of two schemes to support high quality employment placements. Firstly, we suggest employers participate in an accreditation scheme before engaging an eligible apprentice or trainee. Secondly, for employers of eligible apprentices or trainees, an Excellence in Employment scheme, to recognise employers who consistently provide high quality training, mentoring and support for their apprentices or trainees.

Support should also be orientated towards mentoring and pastoral care activities which are known to improve completions. This support should only be available to eligible employers of apprentices and trainees and would be funded through a shared investment between the Australian Government redirecting some employer incentives and a new employer contribution arrangement.

We recognise the importance of personal benefits provided to assist apprentices and trainees. We support the continuation of these personal benefits, consistent with existing eligibility arrangements. We believe it is also appropriate that additional support is provided to disadvantaged groups and their employers to increase their participation in the Australian Apprenticeships system.
**Investment**

The Australian Government directly spends around $1.2 billion per annum to support Australian Apprenticeships. Further funding is provided to the state and territory governments to support training delivery. Some states and territories supplement Australian Government funding with subsidies and incentives.

The community rightly has an expectation that the Australian Government investment in the Australian Apprenticeships system will deliver results and value for money. We do not believe the current investment is being targeted as effectively as possible. There needs to be better accountability for results, including meeting training and completion outcomes, encouraging innovation and meeting best practice standards and benchmarks. However the system will only improve if there is support from all who will benefit from an improved system. The resources to underpin a quality training framework should not come from the Australian Government alone. We believe this is a ‘shared responsibility’ jointly funded by both government and industry.

An Employer Contribution Scheme (ECS) should be introduced to assist with providing the necessary resources to support a strong Australian Apprenticeships system. Contributions made by individual employers to the ECS would be matched by the Australian Government. The ECS would be managed by industry. If adopted the ECS could be operated so that those employers who perform strongly by providing high quality training and support would have their contributions returned either in part or in-full, through a rebate system.

**A simpler, more user friendly and effective Australian Apprenticeships system**

Legislative responsibility for education and training arrangements for the current system are divided between the Australian Government and state and territory governments. More effort must be applied to realising the objectives of Council of Australian Governments (COAG) agreements to align the current eight jurisdictions to ensure they work together more effectively to improve movement into and through the system.

The system can be baffling for those unfamiliar with it, particularly a young Australian Apprentice who is beginning their career. In this report we include a case study example for a new entrant into the system. It demonstrates in a practical way how difficult the system can be for an individual to navigate.

There is a need to focus on the actual functions and services that must be delivered and to remove duplication. No single body governs the whole system. The system needs a ‘National Custodian’ that can provide advice, maintain a national framework and overcome difficulties in system mobility. The introduction of the Unique Student Identifier (USI) will greatly simplify any movement, between Registered Training Organisations (RTOs), employers or interstate. Once fully operational, the USI will also enhance reporting, monitoring and research within the system with improved accuracy.

**Making Australian Apprenticeships valued and attractive**

The Australian Apprenticeships system has developed from the medieval United Kingdom guilds–based tradition and therefore has an extensive history, which we believe has stood the test of time. The combination of on-the-job and off-the-job training for Australian Apprentices is a model that can work. The Australian Apprenticeships system performs an undeniable public good in providing a supply of necessary and valued skills for the nation and a pathway for satisfying careers for many Australians.

We believe the traditional strengths of the system can be built on. This includes the strong support that has been provided to the system over time from industry, unions, governments, the training sector and the wider community.
Australian Apprenticeships, especially traditional trades are an undervalued career choice and often described in negative terms. For example, they are often perceived as physically demanding, unsafe, dirty and poorly paid. Australian Apprentices are often viewed as being from a lower socio-economic background, without the capabilities to enter university and so apply to enter an Australian Apprenticeship. The decision in 1998 to combine apprenticeships and traineeships together under the umbrella term ‘Australian Apprenticeships’ has created a branding confusion about what an Australian Apprenticeship is within the market place, partly because information on Australian Apprenticeships is produced by various organisations with disparate functions. Also, each jurisdiction determines whether the qualification is via an apprenticeship or traineeship pathway creating added complexity in the branding of Australian Apprenticeships.

There should be a strategy to lift the status of apprenticeships and traineeships as representing a pathway towards a satisfying career. There should also be strategies to increase involvement by males and females in non-traditional gender occupations. A plan should be developed that targets career counsellors, parents, the community, students and employers. There should also be clearer links to school-based VET programs that provide valuable pathways to an apprenticeship or traineeship. VET in Schools could emerge as a much more significant pathway to an apprenticeship or traineeship if the quality of VET in Schools training was regulated in the VET system.

**Consistency in wages and conditions**
We believe there is scope for a better approach to support the needs of the apprentices and trainees. This includes facilitating arrangements for the effective implementation of competency-based training progression (and associated wages progression) for apprentices and trainees. The role of Recognition of Prior Learning (RPL) and Recognition of Current Competencies (RCC) is also significant, given the increased number of mature age Australian Apprentices.

We also note the disparity in Australian Apprenticeship and training arrangements in modern awards with respect to several issues including adult Australian Apprentice rates of pay, recognition of pre-apprenticeship training and part-time arrangements for Australian Apprentices. We encourage and endorse a broad review conducted by Fair Work Australia (FWA) into apprenticeship and traineeship wages and conditions. We note that a large number of Australian Apprentices appear to be receiving above award rates of pay, which likely means that Australian Apprenticeship wage rates contained in awards do not reflect the current market for those wage rates. Whilst many Australian Apprentices receive above award wage rates, the safety net (or minimum wage rates in modern awards) should reflect the changing demographics of Australian Apprentices. This includes more mature age people, many from diverse backgrounds and with a range of experiences choosing to enter into an Australian Apprenticeship compared to the past.
Recommendations

1. Establish a National Custodian to oversee reform that will ensure Australia has a high quality Australian Apprenticeships system that:
   - responds to the needs of the economy
   - supports nationally consistent standards for employment and training of apprentices and trainees
   - focuses on retention and completion of apprentices and trainees
   - supports high quality skill development to ensure all apprentices and trainees have well rounded and highly respected skills required by the economy.

As a first step an independent taskforce should be established to work with the eight jurisdictions to align their systems and develop a framework and process for the establishment of the National Custodian. The taskforce would be led by an independent chair and have a representative from each state and territory government, a union and an employer group.

2. Enhance the quality and effectiveness of the Australian Apprenticeships system by clarifying the roles and consolidating the number of stakeholders in the system, ensuring that services are provided by the most appropriate provider, duplication of service delivery is reduced and administrative processes are streamlined. The National Custodian would ultimately be tasked with this role and will require Australian and state and territory governments – in consultation with industry, unions and other key stakeholders – to work together. In the interim the independent taskforce would progress this work.

3. Establish a formal accreditation process for the pre-qualification and training of all employers of apprentices and trainees to ensure a nationally consistent minimum standard of high quality employment and training is provided. In addition establish an Excellence in Employment Scheme to recognise and reward those employers who have consistently demonstrated their commitment to excellence in training apprentices and trainees.

4. Establish structured support for employers to provide high quality employment and workforce development experiences for eligible apprentices and trainees. The focus of Australian Government support should be on assisting employers to provide high quality on-the-job and off-the-job training through support services such as mentoring and pastoral care.

5. Redirect current Australian Government employer incentives to provide structured support services to eligible apprentices and trainees and their employers in occupations that are priorities for the Australian economy. While a wide range of occupations should be trained through apprenticeship and traineeship pathways, Australian Government support should focus on occupations that have tangible and enduring value for the economy – both in the traditional trades and the newer forms of apprenticeships and traineeships, such as community services, health services and information technology.

6. Reinforce the need for a shared responsibility for the Australian Apprenticeships system by establishing an Employer Contribution Scheme in which employer contributions will be matched by the Australian Government. Employers who meet defined benchmarks for training and support of eligible apprentices and trainees would have their contribution rebated, either in part or in full.

7. Facilitate a cooperative and flexible approach by governments and industry bodies to allow for the continuation of both training and employment of apprentices and trainees during periods of economic downturn. Early intervention should be a key element of this approach. Support for a range of measures to be in place until economic recovery occurs could include:
8. Formally regulate the quality of VET in Schools within the VET system to enhance the consistency and quality of training across all jurisdictions and to recognise the potential of VET in Schools as a pathway into an apprenticeship or traineeship.

9. Increase national consistency in preparatory training by directing the National Quality Council to develop definitions for pre-apprenticeship and pre-vocational training.

10. Provide additional support for apprentices and trainees who face specific challenges, such as:
   - Indigenous Australians
   - disability
   - located in regional or remote Australia
   - having poor language, literacy and numeracy skills.

   Australian Government support will be provided to these apprentices, trainees and their employers to assist in overcoming barriers to participation and completion of their apprenticeship or traineeship. Support will be through the provision of tailored structured support services and the continuation of some current Australian Government employer incentives.

11. Implement a strategy to raise the status of apprenticeships and traineeships including promotion as a valued career choice for both males and females. This should be led by the Australian Government, in consultation with state and territory governments, industry bodies and unions. The National Custodian, when established will lead the ongoing effort to raise the status of apprentices and trainees.

12. Promote a culture of competency based progression in apprenticeships and traineeships, in partnership with industry bodies and employers. Additionally, a greater acceptance and achievement of competency-based wage and training progression should be supported by all stakeholders.

13. Improve the implementation of Recognition of Prior Learning and Recognition of Current Competence and support provisions for such recognition in modern awards to ensure that flexibility and mobility are supported.

14. Support a review of apprenticeship and traineeship provisions, wages and conditions by Fair Work Australia, considering:
   - the removal of barriers to competency based wage progression in modern awards
   - apprentice and trainee award pay compared to going rates of pay
   - age, diversity and circumstances of commencing apprentices and trainees
   - allowances (travel, tools, clothing, course fees)
   - cost to apprentices and trainees of participation in an Australian Apprenticeship
   - part-time and school-based arrangements
   - recognition of pre-apprenticeship and pre-vocational programs
   - supervision ratios for apprentices and trainees.
Introduction

Importance of the system

Skills needs of the economy

The Australian economy recovered from the most recent global economic downturn more quickly than expected, benefiting from elevated commodity prices and high levels of public investment. As the focus of the economy shifts towards recovery and growth, there is concern that our economic growth will be constrained due to skill shortages.6

The Australian Apprenticeships system is an important mechanism supporting training and the development of a skilled workforce through a combined employment and training relationship, which will contribute to the strength of the broader labour market. Government support is available to both Australian Apprentices and their employers.

Economic outlook

The Australian economy is expected to continue to grow which will mean further demand for skilled workers. While conditions will strengthen in some sectors of the economy, such as the resources sector, other sectors may not experience the same rate of growth compared to the economy as a whole.7 The take up of apprentices and trainees by employers is sensitive to the economic cycle and has an impact on the availability of skilled workers in times of economic growth following a downturn.8

The resources sector has obviously contributed to the growth of the Australian economy and the consensus of the National Resources Sector Employment Taskforce9 is that the resources boom will underpin economic growth in the future. Expanding industries will utilise existing resources of the economy such as skilled workers, however the supply of skilled workers is limited and the industry will be restricted by capacity constraints.10 Other industries such as construction may suffer due to a lack of skilled workers as workers move between industries.11 In light of Australia’s changing demographic profile, there will be other areas of expected growth such as the community and aged care sectors. All levels of government and industry will need to work to address labour and skills shortage issues and consider long-term skills needs.

Labour market participation

The long-term forecast from the Organisation for Economic Co-operation and Development (OECD)12 is that the Australian unemployment rate will remain at 5.1 per cent until 2025. If unemployment remains low this may have an impact on skill shortages and generate wage pressures as the labour market adjusts.

The number of people entering into either apprenticeships or traineeships is constrained by other types of training and career paths available, the potential employer capacity and the availability of suitable

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8 Karmel T, Misko J Apprenticeships and Traineeships in the downturn, NCVER, 2009.
9 Resourcing the Future; National Resources Sector Employment Taskforce, July 2010
10 Karmel T, Mlotowski P, Tradespeople for the resources sector: projections 2010-2020, 2010
11 Australian Constructors Association, Construction Outlook October 2010, 2010
12 The Organisation for Economic Co-operation and Development, OECD, Economic Outlook No. 88, November 2010
candidates. More than ever before, the decision to undertake an apprenticeship or a traineeship is made in competition with other training, employment and higher education opportunities. A flexible and responsive Australian Apprenticeships system should allow education providers and employers to adapt quickly and efficiently to changing skill requirements of the Australian economy and to increase labour market participation and productivity. \textsuperscript{13} Such a system will also be accessible to entrants from different pathways and backgrounds, for example existing–workers, Indigenous Australians, regional Australians, the disabled and the disadvantaged.

Labour market participation is a key factor in the ability of the economy to respond to skill needs. The population is ageing and the proportion of people of working age is expected to decrease. \textsuperscript{14} There is also an increase in the number of people employed on a casual or temporary basis. \textsuperscript{15} Increased labour market participation will help meet the demands for skilled workers; however governments and industry will need to look beyond the capabilities of the current Australian Apprenticeships system to engage people who are otherwise disengaged from the labour market. Often those who fail to obtain work lack basic employability skills, including core language, literacy and numeracy skills. Improvement in these skills will help to achieve higher participation rates. \textsuperscript{16}

Effective skill formation through apprenticeships and traineeships is vital for addressing the skill needs of the economy, highlighting the need for effective strategies to improve participation rates. The number of commencements and completions in apprenticeships and traineeships are impacted by changing demographics, an ageing population, equality, gender balance, community engagement and the impact of Australian Government expenditure. More broadly, these challenges may affect the long-term sustainability of current public and private expenditure on education and training. \textsuperscript{17}

**Features of the system**

**The Australian Apprenticeships system**

Currently, the term *Australian Apprenticeships* incorporates both apprenticeships and traineeships. The Australian Government makes no distinction between the two skill formation pathways, but states and territories do classify certain qualifications or occupations as either apprenticeships or traineeships, which varies between jurisdictions. For this report we use the following definitions \textsuperscript{18}:

- apprenticeships are generally associated with occupations that are in the traditional trades, with an occupational entry level qualification at the Certificate III or IV level and duration of typically three to four years
- traineeships generally cover a much wider range of more service-oriented occupations such as business, retail, financial services, childcare, health and community services. They are usually undertaken at Certificate II or Certificate III, however they are increasingly available as higher level qualifications. They are usually for periods of less than two years.

\textsuperscript{13} Skills Australia, *Creating a future direction for Australian vocational education and training: a discussion on the future of the VET system*, 2010

\textsuperscript{14} The Treasury, *Incoming Government Brief, Red Book*. Australian Government. September 2010

\textsuperscript{15} Skills Australia, *Creating a future direction for Australian vocational education and training: a discussion on the future of the VET system*, 2010

\textsuperscript{16} Skills Australia, *Creating a future direction for Australian vocational education and training: a discussion on the future of the VET system*, 2010

\textsuperscript{17} The Organisation for Economic Co-operation and Development, OECD, *Economic Survey of Australia* 2010

\textsuperscript{18} NCVER Report 1, *Overview of the Australian apprenticeship and traineeship system*, 2010
Apprenticeships and traineeships are unique as they typically combine paid employment under a training contract and a relevant training wage, with structured training both on-the-job and off-the-job, leading to a nationally recognised qualification.

Currently there are a range of stakeholders are directly involved in the Australian Apprenticeships system, including:

- apprentices and trainees
- employers
- Registered Training Organisation (RTO) provide formal off-the-job and often on-the-job training
- each State Training Authority (STA), which approves the training contract and regulates training and registration of the RTO as well as provides funding to support training in that jurisdiction
- Australian Apprenticeships Centre (AAC) contracted by the Australian Government to facilitate the establishment of Australian Apprenticeships, manage the execution of the training contract between the Australian Apprentice and the employer and to provide support to both parties for the life of the contract.

A flow chart describing the steps in this process can be found at Appendix E.

At the completion of an Australian Apprenticeship, the employer validates that the apprentice or trainee has achieved on-the-job competency and provides this verification to the RTO and/or the STA, as requirements vary between jurisdictions. The RTO issues the qualification to the apprentice or trainee on completion of all required competencies. In most jurisdictions the STA provides certification of achieved competency in the trade or occupation to the apprentice or trainee.

There are two types of employment arrangements for Australian Apprenticeships. The majority utilise a direct employment arrangement, where the employer provides all on-the-job training and undertakes all of the legal employer responsibilities with respect to the Australian Apprenticeships system. Alternatively, some utilise a Group Training Organisation (GTO), which employs apprentices and trainees and then places them with host employers, who provide all of the on-the-job training. Under group training arrangements, the GTO is the legal employer of the Australian Apprentice. They sign the training contract, pay the wages and undertake all the administration involved in employing an apprentice or trainee. The host employer pays a fee to the GTO for this service. Each GTO provides field officers to support the employment and training relationship, assisting the apprentices and trainees and the host employers. Group training arrangements are particularly suited to small and medium sized businesses as they give the host employer the advantage of flexible staffing without the concern of long-term contracts and the apprentice or trainee is supported with continuous and broad-based work and training resulting in a national qualification.

**Demographic trends**

The profile of apprentices and trainees has changed: Appendix E shows that over the 10 years to 2010, there have been slight reductions in the proportion of apprentices and trainees aged 17-19 and 20-24 years. The proportion aged 25-34 and 35 years and over has increased over the same period, with the greatest rise occurring in the 35 years and over cohort. Apprentices and trainees aged over 25 years now comprise more than 42 per cent of all apprentices and trainees. Those aged 17 or less represented only 12.7 per cent of all participants, those 19 or less totalled 31.6 per cent.
The gender balance in some occupations and industries is quite varied. A stylised characterisation of apprenticeship and traineeship occupations from a gender perspective is presented at Appendix G. This highlights that in some industries, such as automotive and construction there is a male dominance and that hairdressing, clerical, carers and healthcare workers are predominantly female. This table also shows the evident differences in occupations, depending on the apprentice or trainee profile as new entrant, older worker or existing–worker.

Appendix H compares commencements by gender in trade and non-trade occupations. In 2009, 17 per cent (or 12 163) of trade commencements were female, compared to 53.5 per cent (or 106 943) of non-trade commencements. The commencements are further analysed by occupation categories and gender in Appendix I. For the 2009 year, male commencements were higher in professional (75 per cent or 5697 males), technical and trade (83 per cent or 59 367 males), machinery operators and drivers (88.8 per cent or 22 137 males) and labour occupations (68.5 per cent 14 464 males). Similarly, the number of commencements for females was higher in retail sales (62.2 per cent or 25 018 females) community and personal service (70.6 per cent or 30 592 females) and managers (64.3 per cent or 4 074 females). These figures illustrate the gender difference between workers in the trade and non-trade occupations and that there is opportunity to improve the gender balance broadly across trade and non-trade occupations. The total number of commencements in all occupations was 152 374 for males and 119 069 for females.

International comparisons

Many countries around the world utilise the apprenticeship pathway as a mechanism for skill formation. There are widespread variations in the institutional structures, the methods of training and the scope of qualifications offered by these countries for producing skilled workers through apprenticeships. The majority of developed countries seek to meet their needs for skilled workers in trades and related occupations through their culturally specific apprenticeships model. Other countries continue to experience skills shortages in buoyant economic times and oversupplies during economic downturns and there does not appear to be a clear example of global best practice, which illustrates the importance of ensuring that we have an Australian Apprenticeships system which fits the unique culture and requirements of the Australian economy.

The key features of four international systems studied by NCVER are summarised at Appendix J.

Challenges associated with the Australian Apprenticeships system

Skills shortages

Reports of skills shortages have been commonplace throughout Australia for much of the past decade. While the effect of skills shortages on the economy is not well defined, in many sectors it leads to decreased output and the delay or cancellation of new projects. Shortages are most common during times of high economic growth and low unemployment where there is a mismatch between the skills available and the skills demanded. While there was a significant fall in demand for skilled workers during 2009 associated with the global recession, there have been strong signs of recovery in Australia throughout 2010 which has resulted in increased demand for skills.

Skills shortages are of greatest risk to the economy when they occur in occupations or industries which take considerable time to train for and are important to the economy or society more broadly.

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19 NCVER Report 1, Overview of the Australian apprenticeship and traineeship system, 2010
20 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
21 DEEWR, Skills Shortages Australia, June 2010
Projections that skills shortages in Australia will continue in the short to medium term are well documented. There are currently more than 50 occupations listed on the National Skills Needs List (NSNL) and industry associations express frustration at the difficulties faced by employers in their respective industries to recruit skilled workers. Similarly, the Specialised Occupations List developed by Skills Australia as part of its national Workforce Development Plan, was used in the development of the Skilled Occupation List which underpins Australia’s skilled migration policy.

In the medium to long term, NCVER research suggests that there is plenty of scope for the supply of tradespersons to expand and therefore skills shortages should not place major constraints on the economy. However, this scenario relies on the assumption that trade occupations remain attractive when compared to alternative occupations. The economic uncertainty which has been experienced in recent times has highlighted the need for a flexible and responsive Australian Apprenticeships system that can support the demand for skills peaks and troughs of the economic cycle. Moreover, there is strong evidence of quite high levels of attrition from some of the major trades in recent years. While some exiting tradespersons commence work in a related field, applying their skills in part, others move to unrelated occupations where their trade skills are largely irrelevant. Part of the solution to addressing skills shortages would require closer investigation of ways to reduce this attrition, as proposed by Skills Australia in their Australian Workforce Futures – National Workforce Development Strategy.

**Skilled migration**

Skilled migration has been a feature of the Australian labour market since 1945. A large-scale program of migration to Australia began at the end of World War II when millions of people in Europe were displaced from their homelands. This coincided with a shortage of labour in Australia and a belief that substantial population growth was essential for the nation’s future.

By 1947, a post-war migration boom was underway, including through government-assisted passage. By 1950, almost 200 000 migrants had arrived with a further one million migrants arriving in each of the following four decades. Today, approximately one in four of Australia’s population was born overseas.

The focus of Australia’s migration program has changed over time. While the original aim was to increase population size (mainly for defence purposes), in the 1950s and 1960s the program aimed to select migrants to support and build Australia’s manufacturing sector. By the early 1990s the aims of the program were more diverse encompassing social (family reunification), humanitarian (including refugee resettlement) and economic (skilled migration) goals.

In more recent years the focus of permanent migration programs has been on skilled migration. The policy settings and criteria for Australia’s skilled migration programs are designed to ensure they complement domestic employment and training strategies to meet current and future skill needs.

The Australian Apprenticeships system plays an important role in training and providing skilled workers to meet the needs of the Australian labour market. However, where the system cannot supply the required number of skilled trade workers there may be a case for permanent or temporary migration to supplement the supply of skilled workers.

It could be argued that in the past some employers have relied on skilled migration to meet the demand for skilled workers instead of investing in the training of Australians, including through participation in the Australian Apprenticeships system.

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24 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
25 Parliamentary Library (Background Note), Spinks. H, Australia’s Migration Program, October 2010
We appreciate the important role that skilled migration plays in helping to meet the skill needs of the labour market. We support a skilled migration program that is targeted, meets the specific needs of the economy and is flexible and responsive to the needs of employers and industry.

**Sensitivity to the economic cycle**

Apprenticeships, as a long-term contractually-linked training and employment arrangement are more sensitive to the economic cycle than other cohorts of workers, except perhaps for young people more broadly\(^{26}\). The opportunity cost of skills formation falls during an economic downturn and therefore enrolments typically increase during these events for most forms of education and training\(^{27}\). Australian Apprentice commencements are vulnerable to economic downturns due to the reliance on the employment relationship. In uncertain times employers are wary of engaging new staff, particularly staff that are in training as they are more likely to be a drain on immediate productivity.\(^{28}\)

Due to the significant time required to complete a qualification, particularly in the traditional trades, skill shortages in general can become entrenched for extended periods following an economic downturn. Trainees are not affected as much as apprentices during a downturn because service industries are more stable than the trades and because training wages and incentives make trainees a competitive pool of labour.\(^{29}\)

**Low completion rates**

The rate of completion in apprenticeships and traineeships is a key indicator of the effectiveness of the system. Low completion rates for apprenticeships and traineeships have been present for many years. NCVER data\(^ {30}\) highlights that:

- the latest available completion rates for apprentices and trainees who commenced their training in 2005 is 45.6 per cent for trade apprentices and trainees and 52.1 per cent for non-trade apprentices and trainees
- attrition rates within the first 12 months across all apprentice and trainee cohorts commencing from 2001 to 2008 have remained steady, ranging from 31.5 per cent to 32.8 per cent
- for trade occupations, the rate of non-completion in the first 12 months has been increasing since 2001, with 32.2 per cent of apprentices and trainees who commenced training in 2008 no longer in training after 12 months.

There are considerable variations in completion rates across occupations and industries, as shown by Table 1 and Table 2. The generally longer duration of trade apprenticeships means that the latest data is for 2005 commencements, while for other occupations data can be presented up to 2007 commencements.\(^ {31}\)

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\(^{26}\) Australian Government, *Keeping Australia Working*, October 2009  
\(^{27}\) NCVER, Karmel, T. and Misko, J. *Apprenticeships and traineeships in the downturn*, 2009  
\(^{28}\) NCVER, Karmel, T. and Misko, J. *Apprenticeships and traineeship in the downturn*, 2009  
\(^{29}\) NCVER, Report 4 *The economics of apprenticeships and traineeships*, 2010  
\(^{30}\) NCVER, *Apprenticeships and Traineeships Annual 2009*, July 2010  
\(^{31}\) NCVER Report 2 *Overview of apprenticeship and traineeship institutional structures*, 2010
Table 1: Completion rates in trades by occupation and year commenced, 2004 to 2005 (per cent)

<table>
<thead>
<tr>
<th>Occupation (ANZSCO) group</th>
<th>2004 contract completion</th>
<th>2005 contract completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering, ICT &amp; science technicians</td>
<td>57.7</td>
<td>60.8</td>
</tr>
<tr>
<td>Automotive &amp; engineering trades</td>
<td>51.9</td>
<td>51.3</td>
</tr>
<tr>
<td>Construction trades</td>
<td>44.9</td>
<td>45.3</td>
</tr>
<tr>
<td>Electrotechnology &amp; telecommunications trades</td>
<td>56.7</td>
<td>53.6</td>
</tr>
<tr>
<td>Food trades workers</td>
<td>28.0</td>
<td>27.7</td>
</tr>
<tr>
<td>Skilled animal &amp; horticultural workers</td>
<td>49.1</td>
<td>48.3</td>
</tr>
<tr>
<td>Other technicians &amp; trade workers</td>
<td>41.9</td>
<td>41.3</td>
</tr>
<tr>
<td>Hairdressers</td>
<td>37.5</td>
<td>36.5</td>
</tr>
<tr>
<td>Printing trades workers</td>
<td>57.4</td>
<td>54.1</td>
</tr>
<tr>
<td>Textile, clothing &amp; footwear trades workers</td>
<td>46.0</td>
<td>46.5</td>
</tr>
<tr>
<td>Wood trades workers</td>
<td>45.7</td>
<td>45.3</td>
</tr>
<tr>
<td>Miscellaneous technicians &amp; trades workers</td>
<td>48.4</td>
<td>52.2</td>
</tr>
<tr>
<td><strong>All trade occupations</strong></td>
<td><strong>45.8</strong></td>
<td><strong>45.6</strong></td>
</tr>
</tbody>
</table>

Table 2: Completion rates in non-trades by occupation and year commenced, 2004 to 2007 (per cent)

<table>
<thead>
<tr>
<th>Occupation (ANZSCO) group</th>
<th>2004 contract completion</th>
<th>2005 contract completion</th>
<th>2006 contract completion</th>
<th>2007 contract completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>48.0</td>
<td>50.8</td>
<td>50.5</td>
<td>44.9</td>
</tr>
<tr>
<td>Professionals</td>
<td>59.8</td>
<td>55.9</td>
<td>58.9</td>
<td>52.8</td>
</tr>
<tr>
<td>Community &amp; personal service workers</td>
<td>54.7</td>
<td>55.3</td>
<td>54.7</td>
<td>53.4</td>
</tr>
<tr>
<td>Clerical &amp; administrative workers</td>
<td>56.2</td>
<td>56.5</td>
<td>55.6</td>
<td>53.8</td>
</tr>
<tr>
<td>Sales workers</td>
<td>43.2</td>
<td>43.6</td>
<td>43.6</td>
<td>44.8</td>
</tr>
<tr>
<td>Machinery operators &amp; drivers</td>
<td>57.0</td>
<td>56.1</td>
<td>55.9</td>
<td>55.2</td>
</tr>
<tr>
<td>Labourers</td>
<td>47.7</td>
<td>48.5</td>
<td>49.5</td>
<td>49.7</td>
</tr>
<tr>
<td><strong>All non-trade occupations</strong></td>
<td><strong>51.8</strong></td>
<td><strong>52.1</strong></td>
<td><strong>52.0</strong></td>
<td><strong>50.3</strong></td>
</tr>
</tbody>
</table>

There are a number of occupations that require a specific qualification to gain employment. The tables demonstrate that two of the groups have above-average completion rates; community and personal service workers, and machinery operators and drivers. These occupations include aged care workers, child care workers, and drivers and operators of specialist equipment such as forklifts. In these occupations, completion of the qualification is mandatory, leading to improved employment prospects which act as a motivator for completion.

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32 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
By contrast, there is no general requirement for a qualification in occupation groups such as sales workers and labourers, and the below-average completion rates most likely reflect the turnover inherent in these occupations.33

Various studies have emphasised different drivers of non-completion: occupational characteristics, individual characteristics, practices at the jurisdictional level, aspects of delivery and wages. In terms of individual characteristics, Ball and John34 found:

- for age, those in the 20 to 24 year age group are least likely to complete and those 45 years and over are most likely. Also those who commence at 17 or less are more likely to complete than those who are 18 or 19 at commencement
- females are more likely to complete than males, although the difference is not significant
- the probability of completion increases consistently with highest School level completed
- Non-Indigenous apprentices and trainees are much more likely to complete than Indigenous Australians
- apprentices and trainees without a reported disability are more likely to complete than those reporting a disability
- apprentices and trainees in rural regions are more likely to complete than those in metropolitan regions other than capital cities and those in capital cities least likely. A likely explanation for this is that capital cities offer more alternative employment opportunities than rural or other metropolitan regions.

It should be noted that non-completion statistics can be somewhat misleading, as data management systems in some jurisdictions record non-completion in circumstances where apprentices and trainees transfer between employers, even if they continue their Australian Apprenticeships. This issue could be alleviated through the introduction of a Unique Student Identifier (USI). We strongly support the process already underway to implement the USI, to improve the effective collection and analysis of data across the national VET system. NCVER note that when these transfers are taken into account, it is possible that actual completion rates for some industries, such as hairdressing, food trades and construction trades may be higher.35

There has been considerable qualitative research undertaken in relation to non-completion rates. These studies reveal many complexities around why apprentices and trainees drop out of training. It is suggested that in most cases there are multiple factors that contribute to an apprentice or trainee deciding not to complete their training. A breakdown of reasons for dissatisfaction with the apprenticeship or traineeship for non-completers is provided at Appendix K. The key message from this analysis is that low wages and issues related to the workplace or employer led to the greatest levels of dissatisfaction among non-completers. There are however four main issues which are recurrent throughout the literature:

- workplace or employer issues
- lack of support
- low wages
- not liking the work.

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33 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
34 Ball, K & John, D, Apprentice and Trainee Completion Rates, NCVER, 2005
35 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
Workplace or employer issues

A significant proportion of attrition in apprenticeships and traineeships stems from problems with the workplace or employer. There are a range of issues that can occur. Inferior employment conditions, such as excessive unpaid overtime, too few hours, not being allowed to take breaks, or not being paid correctly are common concerns, particularly for those in the hospitality industry. Personal safety concerns through both workplace bullying and unsafe work practices are also relatively common. For many the issue is being treated as an inferior worker or not being provided with any meaningful work or training. This is particularly common in the construction industry. All of these issues are of critical importance in the early stages of an apprenticeship or traineeship as they often have an immediate effect. The prevalence of these issues generally decreases throughout the duration of the apprenticeship or traineeship.

Lack of support

The need for apprentices and trainees to be supported both inside and outside of the workplace is a consistent theme presented in research on non-completion. Apprentices and trainees engaged under arrangements that include pastoral care and more personalised selection have been found to have greater completion rates. The need for accessible support is especially critical in the first six months of the employment arrangement when the apprentice or trainee is most at risk of dropping out.

Low wages

While it is widely acknowledged that the low wages paid to apprentices and trainees has some impact on completion rates, there is considerable debate about the extent of this impact. Research undertaken for Group Training Australia identified that in almost all cases, the minimum award wages for first year Australian Apprentices are below the Henderson Poverty Line, even after allowances are taken into account. Minimum wages for second year apprentices are close to the Henderson Poverty Line. There are some researchers who unequivocally state that low wages are a major disincentive to both enter and complete an apprenticeship. Other research suggests that while low wages play some role in a decision to not complete, it is rarely the primary reason. Rather, the level of expected wage premium at the completion of the training contract (the value of the training to the individual) plays a greater role. We acknowledge that increasing apprentice wages may act as a disincentive for some employers to take on an apprentice. However it should also be noted that many Australian Apprentices are paid over-award wages by their employer. This occurs most often in larger workplaces that have union representation. Apprentices employed by small-to-medium enterprises are more likely to be paid the minimum award rate.

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36 NCVER Apprentice and Trainee Destination Survey 2008, 2009
38 Karmel, T. & Mlotkowski, P. The impact of wages on the probability of completing an apprenticeship or traineeship. NCVER, 2010
39 Skills Australia, Creating a future direction for Australian vocational education and training, 2010
43 Karmel, T & Mlotkowski, P, The impact of wages on the probability of completing an apprenticeship or traineeship, NCVER, 2010
Not liking the work

The apprentice or trainee having a strong interest in their chosen field is seen as vital to the success of any Australian Apprenticeship. There are many reasons for non-completion, which can be attributed to not liking the type of work. While there are some aspects of this issue that can never be wholly removed, many can be put down to a lack of clear understanding by the individual of what the Australian Apprenticeship entails and the expectations of their employer. Literature points to high quality recruitment as being the most crucial factor in ensuring the completion of an Australian Apprenticeship. There needs to be a focus on starting apprentices and trainees with a view to success rather than setting them up to fail. This can include education about what the apprenticeship or traineeship entails, aptitude testing, assessing their commitment to the training, encouraging involvement in pre-vocational and pre-apprenticeship programs, providing a good ‘match’ between the apprentice or trainee and employer and ensuring appropriate induction. At the very least, prospective apprentices and trainees should be adequately informed about the nature of the work and what the employer expects. There is a need to stress the importance of better career advice in schools as there is evidence of career advisors providing very little, if any, information about apprenticeships and traineeships and actively discouraging some students away from apprenticeships and traineeships.

Investment in training by employers

Workforce development is beneficial to employers, employees, industry, the community and the economy as a whole. The benefits to employers of investment in training include increased skill levels, improved retention and staff morale. Investment in training also results in employment growth, skill depth and increased productivity of individuals and the workplace. There are also benefits to employees who receive training; they tend to be more productive, have better rates of retention and morale, improve their skill depth and share their knowledge and skills with other employees.

We are concerned that the current rates and patterns of investment in training by employers will not address skills shortages. Research conducted for the National Resource Sector Employment Taskforce highlighted that the investment made by some industries to the training of apprentices and trainees was noticeably low considering the size of the industry and the number of skilled people they employed. There are also a number of instances where industry representatives have described a lack of commitment to training and workforce development by employers.

While industry stakeholders are more than aware of the value of a credentialed workforce, they generally consider the attainment of qualifications is the responsibility of the individual and/or government.

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48 Karmel, T. & Mlotkowski, P. *How reasons for not completing apprenticeship and traineeships change with duration?* March 2010
49 NCVER,*Doing on apprenticeship; what young people think*, 2007
50 Skills DMC Environmental Scan 2010
52 Hall, R. Buchanan, J & Considine, J. *You value what you pay for – enhancing employer contribution to skill formation*, June 2002
53 Resourcing the Future; National Resources Sector Employment Taskforce, July 2010
54 Resources and Infrastructure sectors, ISC Environmental Scan 2010
Many Australian businesses rely on attracting existing skilled labour rather than training new staff. This means that the burden of training falls on to a small group of employers...and fails to generate a culture of ‘fair contribution’ in the development of the total workforce.\textsuperscript{55}

Like many industries, the ElectroComms industries are suffering from skills shortages. The shortages are, however, more a factor of reluctance on behalf of employers to provide apprenticeship positions than a lack of individuals willing to enter the industry.\textsuperscript{56}

Increasing incentives for employers may add to a culture in which the development of skills is a national responsibility to be exercised by governments (and funded by the taxpayer), much more than the enterprises that employ skilled workers and rely on them for their continuity and profitability.\textsuperscript{57}

There remains a culture of staff development in most of the large organisations. The challenge is to encourage the spread of this culture into small and medium business enterprises.\textsuperscript{58}

It is clear that workforce development, including the delivery of training, is a public good. As such it needs to be appropriately supported. We strongly believe that skills development through apprenticeships and traineeships must be seen as a shared responsibility between governments, industry, individual employers and apprentices and trainees. The system should support those employers that invest in skills development through apprenticeships and traineeships to achieve business productivity outcomes and benefit the economy over the long term.

\textbf{A complex system}

The Australian Apprenticeships system as part of the broader VET system has numerous stakeholders and participants engaged with the system; including the Australian Government, state and territory governments, RTOs, ACCs, employers, apprentices and trainees, industry organisations and Industry Skills Councils, unions, GTOs and regulatory and licensing authorities. With multiple stakeholders actively involved in the system, the intersection of the employment and training relationship, as well as funding and governance arrangements, the system has become complex and confusing.

This was highlighted in the Australian Apprentices Taskforce Final Report\textsuperscript{59}, which supports the need for simplification of the Australian Apprenticeships system. Feedback was received in submissions that employers are confused by the overlap of responsibilities between the Australian Government and state and territory governments and that a national ‘best practice’ Australian Apprenticeships system was needed.

The Housing Industry Association in their submission\textsuperscript{60} to the Australian Apprentices Taskforce stated that ‘there is actually no such thing as a national Australian Apprenticeships system’. Each state and territory has its own system for the delivery of apprenticeships and traineeships with its own governing legal structure and administrative rules creating complexity and confusion for employers, especially those who operate nationally. This administrative complexity also hinders effective service delivery within the system. It was suggested by the National Association of Australian Apprenticeship Centres in their submission\textsuperscript{61} to the Australian Apprentices Taskforce that the system’s complexity, red tape and

\textsuperscript{55} Transport and Logistics, ISC Environmental Scan 2010
\textsuperscript{56} ElectroComms and Energy Utilities ISC Environmental Scan 2010
\textsuperscript{57} Chamber of Commerce and Industry QLD, 2009, Submission to AA Taskforce
\textsuperscript{58} HIA Submission to Australian Apprentice Taskforce 2009
\textsuperscript{59} Australian Apprentices Taskforce Final Report 2009
\textsuperscript{60} HIA Submission to the Australian Apprentices Taskforce 2009
\textsuperscript{61} NAAAC Submission to the Australian Apprentices Taskforce 2009
rigid requirements are affecting employers’ and potential Australian Apprentices’ engagement with the system.

**The Australian Apprenticeships system and the workplace relations system are not aligned**

The Australian Apprenticeships system and the workplace relations systems interact through apprenticeships and traineeships co-existing as both a training and employment arrangement. The workplace relations system treats apprentices and trainees separately by including different wage structures for the two classifications.

Under the national workplace relations system, modern awards provide an important part of the safety net of employment terms and conditions, including wages, for apprentices and trainees. Fair Work Australia (FWA) has responsibility for setting minimum wages for employees to whom training arrangements apply, whether the employee is covered by a modern award or not.

A number of stakeholders argue that the current modern awards are hindering the efficiency and productivity of the Australian Apprenticeships system. These arguments focus on two key areas. Firstly, that the minimum wages specified in modern awards for first and second year apprentices act as a deterrent for potential and new apprentices. Secondly, that the majority of modern awards do not adequately provide for competency-based progression in apprenticeships and traineeships. Further to this, there is a significant degree of inconsistency in awards relating to apprentices and trainees such as part-time hours and allowances. FWA is currently considering whether there is a need to undertake a broad review of wages and conditions for apprentices and trainees.

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62 Workplace Research Centre, Oliver, D. *The link between industrial arrangements and skill formation* 2008
1. A model of skills formation

The current Australian Apprenticeships model

Apprenticeships as a method of skills formation have been successful in Australia for over a century. In contemporary Australia, an apprenticeship or traineeship is defined by:

- the existence of a regulated, employment-based training arrangement and a registered legal training agreement (originally called an ‘indenture’ and more recently a training contract)
- a commitment by the employer, the employee and a RTO to an agreed training program in a specified occupation, all of which is set out in the Training Plan
- a vocational program that consists of a concurrent combination of employment and training that leads to a recognised qualification and employment in the trades.63

The Australian Apprenticeships system has evolved through three phases of reform: traditional apprenticeships; the addition of traineeships which were an extension of the apprenticeship model to a wider range of occupations; and the evolution of the traineeships model to support training for existing–workers.

Historically, countries have been ‘judged as more or less effective in their processes of skills formation, in their capacities to align the supply of skills with industry needs, and in their capacities to deliver the new skills required for emerging industries’.64 This is consistent with the Australian context as the most commonly cited driver for change in the apprenticeships model coming from either experiencing or expecting skill shortages.

There is no model for a perfect skills formation system as these systems are influenced by a range of factors some of which are emerging (such as globalisation) and some of which are relatively permanent (such as political cultures). We believe that the core of the apprenticeships methodology has significant relevance for skill formation in a range of occupations in Australia.65

However, clearly defining what we see as the essence of skill formation through apprenticeships and traineeships will go a long way to providing the framework on which to build a rejuvenated Australian Apprenticeships system in the 21st century.

Skill formation through Australian Apprenticeships

The Australian Apprenticeships system is about skills formation in an employment context. Australian Apprenticeships are therefore a training relationship as well as an important labour market program.

In determining the elements that form the core of the Australian Apprenticeship arrangements, we discussed what differentiates apprenticeships and traineeships from other methods of skill formation. For example, in higher education: the driver is the qualification which is largely based on the acquisition of knowledge and often less directly relevant to a particular vocation. This model does not discount the need for practical experience; however it generally functions on a theory-first basis.

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63 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
64 Keating J, NCVER, Matching supply and demand for skills; International perspectives, 2008
65 Keating J, NCVER, Matching supply and demand for skills; International perspectives, 2008
There have been a range of reforms and incremental policy interventions in the last 20 years which have significantly influenced the focus of the Australian Apprenticeships system. The interventions have been based on important policy drivers, such as raising the status of Australian Apprenticeship qualifications and expanding the scope of apprenticeships and traineeships to cover a broader range of occupations. This has led to significant positive outcomes, including increasing and broadening the skills in the community and providing credentialed and reputable skill formation in a wider range of occupations.

We have determined that there are three core elements of an Australian Apprenticeship that we seek to retain. Our recommendations are strongly orientated around these three elements:

- the employment relationship
- high quality on-the-job and off-the-job training
- transferability of skills.

These characteristics tend to focus on the productivity aspects of skill formation through apprenticeships and traineeships, which broadly aligns with some of the agreed Council of Australian Governments (COAG) outcomes of the participation and productivity agenda. These are:

- the working-age population has the depth and breadth of skills and capabilities required for the 21st century labour market
- the supply of skills provided by the national training system responds to meet changing labour market demand.

The provision of high quality on-the-job and off-the-job training and the transferability of skills can be considered to work together to provide a public good. Public good can be defined as when the benefit returned from investment impacts many stakeholders and often society more broadly. The unique way in which skills are formed in an Australian Apprenticeship arrangement can be considered to have the characteristics of a public good. They have been difficult and costly to establish and maintain for both the employer and the apprentice or trainee and to flourish there needs to be a balance between the supply of workers and the number of jobs available. This balance is in constant flux, largely due to the external forces such as economic downturns and technological change.

The employment relationship
We have concluded that the cornerstone of apprenticeships and traineeships is the employment relationship. The impact of this assumption is considerable. The connection between the apprenticeship or traineeship and the employment relationship has been identified as one of the issues affecting the durability of Australian Apprenticeships during periods of economic downturn. In our view, the employment relationship is a central part of Australian Apprenticeships and reforms should be built on the retention of this element. When we talk about skill formation through Australian Apprenticeships we mean that the skills developed are primarily learnt in the context of employment.

High quality on-the-job and off-the-job training
We see the provision of high quality on-the-job and off-the-job training as a core characteristic of the Australian Apprenticeships system. The provision of training in both settings provides significant benefits for the apprentice or trainee, employers and the economy. High quality off-the-job training provides the underpinning knowledge that supports autonomous highly skilled workers. This in turn aligns with the focus on underpinning knowledge in the revised Australian Qualifications Framework. Quality on-the-job training develops practical skills in the context of the employment relationship, including providing opportunities to contextualise those skills in the work setting. The on-the-job learning element is highly valued by Australian Apprentices and industry. In their paper on an effective Australian Apprenticeships system EE-Oz Training Standards noted that ‘models of trade training which
remove or defer the industry requirement for on-the-job training sever a historically productive link with industry, which support learning outcomes’. 66

**Transferability of skills**
Transferability refers to those skills which are portable from one work context to another or that can be introduced in a different socio-cultural or technical environment.

Transferability of skills benefits employers, workers and the economy. Employers benefit from the availability of skills in the economy from which they can draw. This is especially true for small and medium sized employers experiencing an expansion in demand for their products and services. Small and medium sized employers may not have had the capacity or the breadth of focus in their business to develop their own skilled workforce strategies. Workers benefit from arrangements that are based on the development of transferable skills as it provides career mobility. 67

NCVER research highlights the benefits for both employers and individuals from the development of transferable skills. It says 68:

...in training apprentices, organisations contribute to the future pool of skilled employees from which they will later draw. Training apprentices is an important investment in continued labour supply for an organisation and its industry.

NCVER also note more subtle dynamic benefits. For industry, skilled employees drive innovation and act as catalysts for organisational and industrial innovation and ‘absorptive capacity’. ‘Absorptive capacity’ describes an ability to absorb and transform new knowledge and sustain continuous innovation and lifelong learning. NCVER also cites a number of researchers to support the causal link between a skilled workforce and investment in training on improved organisational performance. 69 Whilst much of the research has tended to focus on skills and training in general, other researchers 70 have argued that Australian Apprenticeships have particular benefits because they promote the acquisition of skills in a work context, which aids innovation at the enterprise level.

There are also benefits to society as there is the potential for redeployment of workers with transferable skills. This has benefits in periods of economic downturn as workers are not narrowly focused on the needs of their current employer in the production process and can be more easily absorbed. There are also benefits in a period of economic expansion as new or emerging industries have a broader base of skilled workers from which to draw.

**Refocused apprenticeship and traineeship pathways**
Our belief is that the apprenticeship skills formation concept is a long and valuable tradition that has suffered from dilution of purpose over a period of incremental reform. The pathway represented by the diagram at Appendix L is based on the underpinning characteristics and values discussed earlier. The diagram identifies the key phases of apprenticeships and traineeships as a method of skills formation.

We believe that there are three distinct phases that contribute to skill formation throughout the Australian Apprenticeships system and form the basis of the pathway. These phases are:

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66 EE-Oz, Training Standards, Maintaining an effective energy sector apprenticeship system August 2010
68 NCVER Report 4, The Economics of apprenticeships and traineeships, 2010
69 NCVER Report 4, The Economics of apprenticeships and traineeships, 2010
70 NCVER Report 4, The Economics of apprenticeships and traineeships, 2010
firstly, effective pathways for entry into the system. It is important that the system is equally accessible to all potential apprentices and trainees, both new entrants and existing workers.

secondly, a high quality employment relationship. The system should promote employment relationships which acknowledge the importance of quality training both on-the-job and off-the-job. We believe that the provision of appropriate induction processes and the availability of mentoring and pastoral care are pivotal to a high quality employment relationship.

thirdly, opportunities for continued career development after the completion of the Australian Apprenticeship. Employers and Australian Apprentices should embrace career development as a means of increasing productivity and transferability of skills in both the workplace and the broader economy.

Effective entry points
Currently there are a range of entry points into an apprenticeship or a traineeship. These include School leavers, those entering from a pre-apprenticeship or pre-vocational pathway, those entering from the general workforce and existing workers.

School
VET in Schools and Australian School-based Apprenticeships provide a valuable pathway into the Australian Apprenticeship system and this pathway is not currently being used as effectively as it could be. More needs to be done to ensure that apprenticeships and traineeships are promoted as a valued career pathway with the potential to provide rewarding occupational outcomes.

Pre-vocational
Pre-vocational training is an important mechanism for the development of foundation skills before entering a pre-apprenticeship, an Australian Apprenticeship or another training and/or employment option. It can include tuition in a range of areas, such as literacy, numeracy, communication skills and work-readiness. Pre-vocational training is especially important in reducing barriers for vulnerable job seekers to help them to obtain, as well as successfully participate in, an Australian Apprenticeship.

Pre-apprenticeship
Pre-apprenticeship training provides pathways into Australian Apprenticeships through off-the-job training and simulated or real work experience. If the course is successfully completed, the pre-apprenticeship can provide a credit towards the first year of the relevant Australian Apprenticeship. Pre-apprenticeships provide participants with the opportunity to ‘test out’ an Australian Apprenticeship before they enter into an employment agreement. This gives them a better understanding of what the occupation – and its relevant Australian Apprenticeships pathway – entails, so they are better prepared for the challenges they will face.

Other employment
It must be remembered that many Australian Apprentices enter the system after being engaged in the general workforce. This can range from recent school leavers taking a ‘gap year’ to those who have been in the workforce for many years. This has been increasingly prevalent in recent years with the increase in the proportion of mature-age Australian Apprenticeships commencements, as shown at Appendix M.

These Australian Apprentices bring a range of existing skills and knowledge which in many cases increases their productivity and versatility in the workplace. It is our belief that in the years to come mature-age Australian Apprentices will continue to represent a significant proportion of commencements. As such, it is essential to ensure that the system is a viable career pathway for those entering from the general workforce, recognising previous experience and knowledge.
We strongly support the continuation of these entry points, through greater provision of resources, including the development of initiatives to promote apprenticeships and traineeships as a valued career choice. There are a range of views about retaining existing-workers as an entry point into the Australian Apprenticeships system and we have examined this issue.

Existing-workers
We are of the opinion that training existing-workers through the Australian Apprenticeships system is an important mechanism for up-skilling the Australian workforce. As Smith noted71, nationally recognised training for existing-workers provides several benefits. These include the provision of a more structured approach to training and career progression, providing a competitive edge in attracting and retaining staff and the ability to reward and motivate employees. The evidence is that nationally recognised training of existing-workers extends the ‘reach’ of enterprise training to groups of workers who have not previously received structured training and have not previously received employment related qualifications72. On the other hand, there has been debate about the use of the existing-worker traineeships and in particular if they are used as quasi-wage subsidies, which diminish the investment of enterprises in their own skill needs. Some researchers73 argue strongly that ‘existing work traineeships are not being used for the purposes traineeships were intended for, which was to support youth transitions into skilled employment.’

We believe that career pathways and career development within organisations is a positive workforce development strategy and is an effective retention mechanism. As such, we believe the Australian Apprenticeships system must provide a specific entry pathway for existing-workers into apprenticeships and traineeships. These entry points should recognise the pre-existing employment relationship and take into account previous experience and relevant knowledge of the organisation and the pre-formed skills. Excluding existing-workers undermines the important policy impetus to support an enterprise based approach to workforce development. Dealing with segments of the workforce separately will undermine the vision of a high quality Australian Apprenticeships system providing for the skill needs of the broader and changing Australian economy. Achieving this vision will require the development and deployment of all workers, not only new entrants.

**Case Study: Country Energy**74: up-skilling existing–workers

Country Energy is Australia’s largest energy supply network, providing services across 95 per cent of New South Wales. The company has in excess of 4 200 employees based in regional and remote areas around the state.

Country Energy decided to adopt a qualifications based pay structure, where a qualification determines the level of pay. Approximately half of the employees did not have a qualification but required one. Of those that did have qualifications half of them did not have the right qualification for their current job. Country Energy implemented the Powerful Skills competency development project and entered into a training partnership with TAFE NSW.

Country Energy provides funding for a TAFE representative to be located within Country Energy to manage the service and to be the link between Country Energy and TAFE NSW Institutes. A TAFE employee is located full time within Country Energy and each TAFE institute provides one point of contact for Country Energy.

*The Powerful Skills project involves a framework for competency based learning and supports staff development and progression.*

*The partnership is assisting Country Energy staff, for example:*  

71 Smith, E. et al, *Enterprises’ commitment to nationally recognised training for existing–workers*, NCVER 2005  
72 Smith, E. et al, *Enterprises’ commitment to nationally recognised training for existing–workers*, NCVER 2005  
400 Country Energy line workers who currently hold a Statement of Attainment in Line Work are being assisted to upgrade their qualifications to Certificate III in Line Work as is required by regulators in Queensland and Victoria.

56 Control Room Operators who hold qualifications that are not current or relevant to their role are also being assisted to do the new relevant qualification – Advanced Diploma of ESI Power System – a qualification currently not held by any Control Room Operator in Australia.

Customer Contact Centre staff can undertake recognition of prior learning for Certificates II and III ensuring that all staff in this area are properly trained and qualified.

High quality employment and training relationship

In the establishment of an effective relationship between the apprentice or trainee and the employer, the importance of selection cannot be underestimated as the foundation for the long term success of the employment relationship. This is best built upon by a well developed induction process. As shown in the pathway diagram at Appendix I the induction is the first step for a new apprentice or trainee on entering the employment relationship. This important step establishes the relationship between the employer and the apprentice or trainee. The induction process should be tailored to meet the individual needs of the employer, work environment and the apprentice or trainee. It should include the provision of an effective and understanding supervisor and detailed information about the job and the workplace, including employer expectations, rights and responsibilities and strategies to address employee concerns as they arise.

We believe that a high quality apprenticeship or traineeship incorporates high quality on-the-job training and high quality off-the-job training. While employers report that off-the-job training is not always relevant and at times question the quality, we recognise that through initiatives such as the new National VET Regulator and the reformed Australian Qualifications Framework there is significant activity in progressing quality in off-the-job training. We believe that the quality of the on-the-job training experience has received less explicit attention.

NCVER note that one of the key factors in apprentices and trainees not completing their Australian Apprenticeship is their experience in the employment relationship. We believe that on-the-job training provides the context for the most effective skill formation through Australian Apprenticeships and to an extent differentiates this method of skill formation from others. We considered a range of options to improve the quality of the on-the-job experience, recognising that some employers already provide high quality on-the-job training. We identified options to support high quality on-the-job training including:

- recognising that the employment of an apprentice or trainee is not a right, nor should it be seen as a way of engaging lower waged labour. We believe that it is possible to identify some key criteria or pre-conditions that employers should meet to be considered a high quality on-the-job training provider. Satisfying the pre-conditions could be seen as the baseline structures made available by the employer and accredit them to enter into an Australian Apprenticeship Training Contract
- recognising excellent provision of on-the-job training through an Excellence in Employment scheme. Some of the mechanisms which may support this are quality assessments that recognise excellence and potentially allow employers to advertise as an employer of choice
- recognising the value of mentoring and pastoral care in supporting apprenticeships and trainees.

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Karmel T and Misko J, Apprenticeships and Traineeships in the downturn, NCVER, 2009
Career development

We believe that like other methods of skill formation, learning should not be considered to have ended at the completion of the initial learning phase. We believe that the best insurance for industries that rely on skills formed through apprenticeship and traineeship pathways is to ensure that there is the opportunity for continuous learning. Informing the apprentice or trainee early in the relationship of clear career pathways within the organisation is a positive workforce development strategy and may be an effective retention mechanism. Skills Australia’s workforce development strategy recognises and highlights the value of continuous workforce development. We believe that, like pathways into Australian Apprenticeships, there are different mechanisms that people can access for career development. We believe that learning post the Australian Apprenticeship phase should be more explicitly encouraged, in particular recognising:

- employer commitments to further development
- further development of occupational skills (an initial phase and subsequently as autonomous workers through to being on-the-job trainers)
- the value of further participation in tertiary education, in particular at the Diploma and Advanced Diploma levels. This could be enhanced through consideration of the productivity agenda being pursued by COAG.

Apprenticeships and traineeships

As detailed previously the term ‘Australian Apprenticeships’ incorporates both apprenticeships and traineeships. Australian Apprenticeships are now a very well-established component of the vocational education and training system. The apprenticeships model has been a mechanism for skills formation in Australia for over a century. The Australian Traineeship System was created in 1985 on the recommendation of the 1984 Committee of Inquiry into Labour Market Programs, known as the Kirby Inquiry. The Kirby Inquiry sought to address supply and demand issues for training and to address youth unemployment, which was hovering at nearly 20 per cent for 15-19 year olds in 1983, up from 7 per cent in 1970. This situation was exacerbated by low school retention rates, with only 46 per cent of young people finishing year 12 in 1985 and low participation in post compulsory vocational education programs.

Traineeships were introduced as an extension of the Australian Apprenticeship model with the aim of acting as a ‘stepping stone’ into primary labour market jobs in order to improve and increase broad based work related training. Kirby considered that the target group for traineeships were those who had left school before completing Year 12 and in the longer term assist others such as those returning to the workforce, especially women. It was also hoped that by extending the Australian Apprenticeship model to a wider range of occupations that the gender imbalance in the training model at the time could be corrected to some extent.

The Australian Traineeship System created new education and training pathways for young people and those returning to the workforce. By encouraging training in areas other than skilled trades such as clerical and business occupations, and expanding opportunities for work based training beyond traditional apprenticeships, youth traineeships were seen as a good alternative to the apprenticeships system.

Traineeships have continued to evolve following the introduction of a range of measures, including the National Training Wage in 1994, the Modern Apprenticeship and Traineeship System policy in 1996-97

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76 Skills Australia Australian Workforce Futures: A National Workforce Development Strategy, 2010
77 Karmel, T.et al. The effectiveness of the traineeship model, NCVER, 2010
and the New Apprenticeships system in 1998.\textsuperscript{78} While traineeships were introduced in the 1980s, numbers did not grow significantly until the second half of the 1990s. Cully\textsuperscript{79} and Karmel\textsuperscript{80} argue that the growth in traineeships reflected the:

- introduction of a national training wage
- extension of traineeships to older workers, part-time workers, existing-workers and school students
- restructuring of Australian Government employer incentives associated with apprentices and trainees.

Incorporating apprenticeships and traineeships under one framework has been significant in terms of encouraging a training mentality, as well as increasing the number of Australian Apprentices (notably with significantly more trainees commencing in the VET system than apprentices).

The creation of education and training pathways though traineeships has increased the skill levels in non-trade occupations. As outlined in our discussion of demographic trends, the gender distribution between trade and non-trade occupations is not balanced. The gender imbalance illustrates that there is an opportunity to increase participation broadly by attracting males and females to occupations that are traditionally dominated by the other gender.

It is important to recognise that traineeships, especially in areas such as health services, community services, aged care and child care, have contributed enormously to the professionalisation of these industries and improvement in both quality and consistency of service delivery. The improvement of occupational qualification through traineeship pathways will contribute to higher quality transferable skills across the economy, including in this vitally important and growing industry sector.

A recent draft report by the Productivity Commission has noted that a number of aged care providers are reporting increasing difficulty attracting and retaining staff. The draft report also cites a 2007 survey which showed 29 per cent of community care service providers reported that they had vacancies for direct care workers.\textsuperscript{81} This report concludes, given that the number of older Australians is rising, there will be a commensurate increase in demand for a well trained aged care workforce. The Productivity Commission anticipates the aged care workforce will need to almost triple by 2050 to meet demand.\textsuperscript{82} Additionally, the DEEWR Australian Jobs 2010 report shows that in the five years to February 2010, the Health Care and Social Assistance industry sector created 210 300 jobs. This is the largest employment growth of any Australian industry sector.\textsuperscript{83}

It is worth clarifying how apprenticeships and traineeships differ across occupations and industry. Factors such as cost-benefit trade-offs, behaviour in different economic circumstances, labour market and industry structures, training requirements, completion rates, supply and demand will vary. This highlights the requirement to identify and tailor Australian Government support. We believe that the criteria for tailoring support should be based on high quality on-the-job and off-the-job training and transferability of skills, with an established process to identify the current and future needs of the economy. In our framework, these will be called \textit{eligible apprenticeships and traineeships}.

\textsuperscript{78} Karmel, T.et al. The effectiveness of the traineeship model, NCVER, 2010
\textsuperscript{79} Cully, M. Kirby Comes of Age: The birth, difficult adolescence, and future prospects of traineeships; Dusseldorp Skills Forum, Glebe, 2006
\textsuperscript{80} Karmel, T.et al. The effectiveness of the traineeship model, NCVER, 2010
\textsuperscript{81} Productivity Commission Draft Report, Caring For Older Australians, Commonwealth of Australia 2011
\textsuperscript{82} Productivity Commission Draft Report, Caring For Older Australians, Commonwealth of Australia 2011
\textsuperscript{83} Department of Education, Employment and Workplace Relations, Australian Jobs 2010. 2010
Apprenticeship and traineeship outcomes

We have considered whether Australian Government funding should be targeted to only select apprenticeships and traineeships. Some commentators question whether apprenticeships and traineeships represent skills-development or labour market programs. In relation to this question, we considered factors such as the duration of training, the level of skills acquisition that can be attributed to various occupations and responsiveness to skills shortages.

The situation exists where a trade apprentice may complete a four-year Certificate III course of training and obtain significant trade skills but end up with the same qualification level of someone who may complete a Certificate III in another occupation over a much shorter period. For example, Buchanan, found:

> While robust data on this question is difficult to acquire, it is well recognised that there are significant anomalies as the nature of Certificate III qualifications in contrasting sectors such as retail, aged care and engineering. There is some evidence that in the service sector such certificates can be acquired in as few as six weeks. This is to be compared with the acquisition of such a certificate in the traditional trade which usually take 3-4 years to acquire.

In regards to the duration of training for various apprenticeships and traineeships, analysis by NCVER suggests that incentives currently paid for some traineeships, constitute a substantial implicit wage subsidy, in some cases as high as 20 per cent. In such cases, the Australian Government support functions more as a labour market program, rather than a training program.

As standard employer incentives are unrelated to the duration of training, NCVER note

> Implicit wage subsidies are higher for trainees than apprentices. This is because traineeships are of a much shorter duration (typically two years) than apprenticeships (typically four years). As the incentive payment is an absolute sum unrelated to duration, the shorter the duration, the greater the subsidy.

Appendix N provides examples of the differences in training duration for selected apprenticeships and traineeships.

Australian Government incentives for apprenticeships and traineeships should reflect a worthwhile and positive return on the investment to the community. For the Australian Government this value-for-money investment is reflected through a cost–benefit trade-off. In our view this will involve redirection of incentives so that not all apprenticeships and traineeships attract the same level of support. This investment strategy reflects the reality that not all apprenticeships and traineeships are the same. Economists who argue the virtue of markets as an efficient way of allocating resources, typically suggest that there is a need for government involvement where there are:

- **externalities** – potential benefits from government investment impact the community and not just the individual concerned
- **imperfect information** – all stakeholders do not have access to all the necessary information upon which to make informed decisions

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84 NCVER, Report 1, *Overview of the apprenticeship and traineeship system*; 2010  
85 Buchanan, J. Yu, S. Wheelahan, L. Keating, J. Margison. *Impact of the proposed strengthened AQF*. WRC. 2010  
86 NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010  
87 NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010  
88 NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010  
89 NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010
• *imperfect capital markets*—as it can be difficult to calculate costs associated with human capital in a mobile modern economy, especially relevant because of the existence and use of training wages.

NCVER\(^{90}\) argues that the essential aim of apprenticeships and traineeships is the creation of job-ready skills. For skills to have value, they must be beneficial to the economy which can be demonstrated by higher wages to individuals and higher productivity for organisations. We support the public good nature of the transferability element of an apprenticeship and traineeship.

One benefit for the individual of completing an apprenticeship or traineeship should be the creation of valuable skills that will be reflected in higher earnings. The following table provides details of the wage premium gained from completion of an apprenticeship or traineeship. While the great majority of Australian Apprentices in a trade gain a considerable wage premium on completion of their qualification, some trainees receive a lesser proportion, or even a negative premium. NCVER notes that negative premiums suggests that there is little skills acquisition that occurs for such traineeships, or if there is skills acquisition, that it is not valued by the labour market over the general work experience obtained during the traineeship.\(^{91}\)

### Table 3: Wage premium on completion of an apprenticeship or traineeship

<table>
<thead>
<tr>
<th>Trades:</th>
<th>Trades</th>
<th>Mean ($)</th>
<th>% above zero</th>
<th>Non-trades (male)</th>
<th>Mean ($)</th>
<th>% above zero</th>
<th>Non-trades (female)</th>
<th>Mean ($)</th>
<th>% above zero</th>
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<tbody>
<tr>
<td>31 Engineering, ICT and science technicians</td>
<td>6 329.1</td>
<td>100.0</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>32 Automotive and engineering</td>
<td>13 724.4</td>
<td>100.0</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>33 Construction trades workers</td>
<td>16 867.8</td>
<td>100.0</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>34 Electrotechnology and telecommunications</td>
<td>23 232.1</td>
<td>100.0</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>trades workers</td>
<td></td>
<td></td>
<td></td>
<td>35 Food trades</td>
<td>6 228.8</td>
<td>94.5</td>
<td>391 Hairdressers</td>
<td>631.7</td>
<td>73.4</td>
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<tr>
<td>35 Food trades workers</td>
<td>6 228.8</td>
<td>94.5</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>391 Hairdressers</td>
<td>631.7</td>
<td>73.4</td>
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<td>-</td>
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<td>-</td>
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<td>All other trade occupations</td>
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<td>Total</td>
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<td>96.4</td>
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<td>-</td>
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<tr>
<td>Non-trades:</td>
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<td>1+2 Managers and</td>
<td>7 937.6</td>
<td>91.7</td>
<td>4 Community and</td>
<td>6 428.1</td>
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<td>-</td>
<td>-</td>
<td></td>
<td>6 Clerical and</td>
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<td>workers</td>
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<td></td>
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<td></td>
<td></td>
<td>6 Sales workers</td>
<td>-</td>
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<tr>
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<td>7 Machinery</td>
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<tr>
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<td></td>
<td>8</td>
<td>1 624.1</td>
<td>59.8</td>
<td>8 Labourers</td>
<td>2 403.9</td>
<td>68.2</td>
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</tbody>
</table>

Notes: Mean, and proportion above zero, of wage premium on completion of an apprenticeship or traineeship, trades and non-trades (male/female)—excluding part-timers and existing–workers

Source: NCVER, Report 4 The economics of apprenticeships and traineeships 2010

\(^{90}\) NCVER, Report 4, *The economics of apprenticeships and traineeships*, 2010

\(^{91}\) Karmel, T. Et al The *Impact of wages on the probability of completing an apprenticeship or traineeship*, NCVER. 2010
We also considered apprentices and trainees post-completions to identify the alignment of the training with the employment destination. NCVER found that apprenticeships demonstrated a much stronger occupational fit than traineeships. While this is significant, it highlights the limitations of engaging in one-size-fits-all financial support for these educational pathways. While we have considered a range of targeting strategies, including occupational fit, the key challenge remains in ensuring the supply of skilled workers to meet the needs of the current and future Australian economy. These challenges are anticipated to continue.

We therefore suggest that apprenticeships and traineeships that lead to occupations experiencing skill shortage should be considered as priorities for Australian Government funding in the Australian Apprenticeships system. To a degree this is already the case, with many existing incentives and personal benefits already targeted to occupations on the National Skills Needs List (NSNL), including the recent Apprentices Kickstart initiative. However, we advocate applying this approach more broadly.

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92 NCVER, Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
2. Leadership

Simplify a dispersed system

The Australian Apprenticeships system has seen incremental reform over the past 15 years. The intersection of education and training outcomes and labour market outcomes add complexity to the system. In addition, each of the eight jurisdictions holds legislative and regulatory responsibility for their apprenticeships and traineeships. Although a similar framework exists across the jurisdictions, the jurisdictional legislation varies significantly in how the components of the framework are implemented leading to disparities in how apprenticeships and traineeships are controlled and administered across jurisdictions. As a result of the different regulatory requirements, the governance structure of the Australian Apprenticeships system is often described as fragmented and is characterised by complexity and inconsistency.

Added to these jurisdictional differences are the Australian Government’s financial and regulatory arrangements. Industry partners have their own requirements and demands of the Australian Apprenticeships system that influence its varied directions at national and state levels.

These complex administrative and regulatory processes have created barriers to movement of apprentices and trainees both within and across jurisdictional borders and increased administrative complexity especially for national employers and providers. These jurisdictional differences inhibit mobility of labour and business, which has become increasingly important to sustain Australia’s economic growth. In particular, training contracts are specific to the jurisdiction in which they are approved and are not portable across jurisdictions. Other examples of where differences occur between jurisdictions are:

- determination of qualifications as suitable for either apprenticeship or traineeship pathways
- nominal duration terms for the completion of the training contract
- part time or full time arrangements that apply to apprenticeships and traineeships, including Australian School-based Apprenticeships
- number of training hours required to complete the qualification
- probationary periods that are applied to apprenticeships and traineeships
- relevant industrial arrangements that apply to apprenticeships and traineeships
- the extent of public funding to subsidise training allocated to particular qualifications through User Choice funding priorities in each jurisdiction
- assessment process for determining the suitability of the employers of Australian Apprentices, (e.g. in South Australia the employer of an Australian Apprentice must be registered and approved by the STA)
- requirements for the lodgement of training contracts and training plans
- conditions under which a training contract can be suspended and the period of time the suspension can be in place
- transfer to a new employer (Victoria and the Australian Capital Territory do not have this provision. The training contract must be cancelled and started with a new employer).

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93 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
94 Skills Australia, Creating a future direction for Australian Vocational Education and Training: a discussion paper on the future of the VET system, 2010
95 Skills Australia, Creating a future direction for Australian Vocational Education and Training: a discussion paper on the future of the VET system, 2010
96 Skills Australia, Creating a future direction for Australian Vocational Education and Training: a discussion paper on the future of the VET system, 2010
Case Study: variations across jurisdictions

MEGT, a national provider of Australian Apprenticeships Support Services, developed a handbook for each industry sector for use by their Australian Apprenticeship Centres. In it they highlight a range of issues that play out differently in different jurisdictions. For example:

Minimum Part-Time Hours in each State and Territory

<table>
<thead>
<tr>
<th>ACT</th>
<th>Minimum of 15 hours per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>Full time nominal duration of up to 18 months – 15 hours per week</td>
</tr>
<tr>
<td></td>
<td>Full time nominal duration of 24 months – 21 hours per week</td>
</tr>
<tr>
<td></td>
<td>Full time nominal duration of more than 24 months – 27 hours per week</td>
</tr>
<tr>
<td>Qld</td>
<td>Minimum of 15 hours per week</td>
</tr>
<tr>
<td>SA</td>
<td>Full time nominal duration of less than 24 months – 15 hours per week</td>
</tr>
<tr>
<td></td>
<td>Full time nominal duration of more than 24 months – 25 hours per week</td>
</tr>
<tr>
<td>Tas</td>
<td>Minimum of 20 hours per week unless otherwise agreed by the Tasmanian Training Agreements Committee</td>
</tr>
<tr>
<td>Vic</td>
<td>Minimum of 13 hours per week averaged over one, two or four week cycle</td>
</tr>
<tr>
<td>WA</td>
<td>Minimum of 20 hours per week</td>
</tr>
</tbody>
</table>

Australian School-based Apprenticeship requirements in each State and Territory:

<table>
<thead>
<tr>
<th>ACT</th>
<th>Minimum of 11, up to maximum 20 hours per week/principal’s signature (additional forms required)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>Full training plan including the school endorsement/principal’s signature</td>
</tr>
<tr>
<td>Qld</td>
<td>A minimum of 48 days paid work per annum must be performed and RTOs must complete an Education Training Employment Schedule (ETES) with the employer, school and parent</td>
</tr>
<tr>
<td>SA</td>
<td>Minimum of eight hours per week – training contract must be accompanied by full training plan endorsed by school principal, student must be enrolled in SACE (South Australian Certificate of Education) and part of the training or on-the-job component should take place during School hours</td>
</tr>
<tr>
<td>Tas</td>
<td>Minimum of eight to a maximum of 15 hours per week – full training plan endorsed by the School principal required to register the ASbA. Additional forms required. Employers must apply and be approved to have School-based Australian Apprentices prior to the sign up taking place except for Administration and Retail qualifications</td>
</tr>
<tr>
<td>Vic</td>
<td>RTO notification form plus a signed training plan. Minimum of 13 hours per week averaged over three periods of four months in each year of the apprenticeship or traineeship of which a minimum of seven hours is employment and six hours is in training except where fully workplace based</td>
</tr>
<tr>
<td>WA</td>
<td>Training and Employment Schedule required to register the training contract</td>
</tr>
</tbody>
</table>

In the standard delivery of an apprenticeship or traineeship, the regulatory environment may not present any issues for participants. However, if someone does something non-standard, such as moving between jurisdictions, the system fails as a result of the differing jurisdictional processes and requirements, with the economic costs often borne by apprentices or trainees and their employers as the following hypothetical case study demonstrates.

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**Case study: Albury Wodonga**

A company with worksites in both border towns of Albury (NSW) and Wodonga (Vic) is limited in its ability to transfer apprentices and trainees between business sites in the two states. When required to transfer an Australian Apprentice on a permanent basis to a worksite in another state, significant time losses are incurred by the employer during the transfer due to the required administrative processes. The training contract is established in the state of the worksite and has to be cancelled in one state and a new training contract established in the state the Australian Apprentice is moving to in order to take up their employment with another division of the same employer.

COAG have been pursuing wide ranging reform in the Australian Apprenticeships system and agreed in December 2009 to progress the implementation of a seamless access, re-entry, deferral and support system. This is being progressed through the Ministerial Council for Tertiary Education and Employment (MCTEE) Apprentices Action Group but a number of issues remain outstanding.

**A custodian of the system**

There is a lack of clarity of authority and governance arrangements, which leads to regular reviews and criticism of the Australian Apprenticeships system and its parts, with limited mechanisms for effectively addressing systemic issues. In light of these deficiencies, there are three key questions we believe require clarification, to ensure an enduring and high performing Australian Apprenticeships system. These questions will be addressed throughout this chapter.

- Should there be a single agency or custodian that has responsibility for overseeing the elements of the Australian Apprenticeships system as a whole, or to lead its revitalisation or reform efforts?
- Who determines and regulates high quality within the system?
- Who is best placed to manage the administration of the system? (Discussed later in ‘Clarifying the roles of stakeholders’)

It is clear that the National VET Regulator will perform the primary role of quality regulator. However, at present the Australian Government, state and territory governments, Industry Skills Councils, Fair Work Australia and the Fair Work Ombudsman each perform some oversight functions with the National VET Regulator taking on a role in 2011. Yet none of these organisations could be considered an effective custodian of the Australian Apprenticeships system as a whole.

It is unclear who has responsibility for ensuring high quality and the ongoing relevance of the Australian Apprenticeships system, including the ongoing supply of apprentices and trainees. There is no obvious enduring forum for employer bodies, unions or governments to progress a strategic vision for future Australian Apprenticeships system arrangements. There is no body empowered to harmonise the differences in qualifications across state borders.

There is a strong need for the Australian Apprenticeships system to be managed in an integrated way. We see the need for a National Custodian that is able to apply a whole-of-system perspective to Australian Apprenticeships. The National Custodian can work collaboratively with all other government entities and with employers and unions to improve the performance of the system. This entity would be accountable for the policy that underpins the Australian Apprenticeships system, including both the education and employment functions. They would also, for example ensure that training leads to

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98 It is not yet clear how regulation in Victoria and Western Australia will be managed

99 Skills Australia, *Creating a future direction for Australian Vocational Education and Training: a discussion paper on the future of the VET system*, 2010
transferable skills, comprising enduring competencies and is underpinned by quality on-the-job and off-the-job training. To be effective a National Custodian must be forward looking and strategic. In the long term the National Custodian could be granted the power to alter the system and be accountable for the performance. We envisage a role similar to that of Safe Work Australia, as per the following case study.

**Case study: Safe Work Australia**

A recent example of establishing clear leadership is the reform and harmonisation of workplace safety and workers compensation arrangements by Safe Work Australia. The National Occupational Health and Safety Strategy was launched in 2002 and is strategy to establish a national vision with targets, priorities and areas requiring actions for occupational health and safety in light of separate state and territory legislative arrangements.

Safe Work Australia is an independent statutory body with primary responsibility to improve workplace safety and workers’ compensation arrangements around Australia.

State and territory governments and the Australian Government formally committed to the harmonisation of work health and safety laws under the Intergovernmental Agreement for Regulation and Operational Reform in Occupational Health and Safety, agreed to by the COAG on 3 July 2008. The goal was to harmonise occupational health and safety laws (including the Regulations and Codes of Practice that underpin them) to deliver the same work health and safety protection nationally. Each state and territory and the Australian Government is required to enact laws that reflect the model work health and safety legislation by the end of 2011. It is expected that the new laws will commence on 1 January 2012. Under these arrangements there is no national regulator as each state and territory has its own regulator to administer the laws in their jurisdiction.

Safe Work Australia also worked hard to elevate the importance of work health and safety, through delivering consistent national messages, identifying champions and undertaking research into factors that positively influence workplace culture and organisational behaviour.

If a similar entity was to oversee the Australian Apprenticeships system, its strategic role could involve:

- improving national coherence within the Australian Apprenticeships system, including working towards consistency and breaking down differences and barriers associated with jurisdictional boundaries
- achieving better coordination to achieve outcomes from investments by Australian Governments
- providing a forum within the Australian Apprenticeships system for employers and unions to progress a strategic vision for the Australian Apprenticeships system
- measuring and assessing quality of skills training within the Australian Apprenticeships system
- reviewing the current skills requirements for apprentices and trainees and making recommendations for up-skilling qualifications as occupations evolve, in partnership with the National Quality Council.
- leading a strategy to improve the status of apprenticeships and traineeships as a valued career pathway.

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The operational role of the National Custodian may involve accrediting workplaces and supervisors as quality on-the-job training providers.

However, we consider that a National Custodian could not be effective until the differing legislation and regulatory requirements in each state and territory is resolved into a common national arrangement for apprenticeships and traineeships.

We recommend that, as a first step, a taskforce be established to deal with these issues and work towards alignment of the eight jurisdictions. In addition the taskforce would develop a framework and process for the establishment of the National Custodian. The work of the taskforce could include reviewing the alignment of administrative and regulatory instruments to ensure that the relevant recommendations of this report are reflected, recognising that these issues are complex but not insurmountable. We propose that the taskforce be initially for two years, but with a view that it will pave the way for an effective National Custodian. This could be similar to the approach taken in the development of a national occupational licensing system.

The taskforce should be led by a full-time and independent chair with clear delegated authority, supported by a small expert secretariat. The chair would have the authority to negotiate in-principle positions with all jurisdictions to bring all parties towards a single national arrangement for apprenticeships and traineeships. The chair would lead the taskforce which would comprise one representative from each state and territory government, one employer representative and one union representative. It is essential that the taskforce is small enough and adequately empowered to reach a negotiated national position.

We consider that there is an opportunity in the upcoming negotiation of a new Agreement for Skills and Workforce Development to link payment of funds to the achievement of a national arrangement for apprenticeships and traineeships.

In determining the entity best placed to undertake the role of the National Custodian, careful consideration and clear messaging may need to be given to the delineation of the policy and quality regulation roles within the system. As advised by the taskforce, Government will need to consider the scope of current or new organisations in deciding who will be charged with these important policy and quality regulation roles.

We would suggest that to support the activities of a National Custodian, the National VET Regulator could conduct a strategic audit each year of a sample of apprenticeship and traineeship qualifications and report publicly on its findings. We consider that over a three year cycle the National VET Regulator could audit a significant proportion of apprenticeship and traineeship qualifications and offer suggestions to rectify quality shortfalls. This cross-provider work would require additional government funding for the National VET Regulator.

The activities of the National Custodian would be complemented by the four-yearly reviews of modern awards conducted by FWA. The NCVER would support the National Custodian through reporting on performance, including through an annual ‘State of the Australian Apprenticeships system’ report as a review and monitoring mechanism. Skills Australia would continue to develop advice on skills requirements for the Australian economy.
Recommendation 1:

Establish a National Custodian to oversee reform that will ensure Australia has a high quality Australian Apprenticeships system that:

- responds to the needs of the economy
- supports nationally consistent standards for employment and training of apprentices and trainees
- focuses on retention and completion of apprentices and trainees
- supports high quality skill development to ensure all apprentices and trainees have well rounded and highly respected skills required by the economy.

As a first step an independent taskforce should be established to work with the eight jurisdictions to align their systems and develop a framework and process for the establishment of the National Custodian. The taskforce would be led by an independent chair and have a representative from each state and territory government, a union and an employer group.

Clarify the roles of stakeholders

The capacity to revitalise the Australian Apprenticeships system has been limited by the multiplicity of stakeholders and the complexity of the administrative, funding and training arrangements in the system. The constitutional responsibility for VET lies with the state and territory governments, with few legislative and regulatory levers at the federal level. The financial levers are dispersed as the majority of Australian Government funding is delivered to state and territory governments through performance agreements.

In the development of this report we have gained an understanding of the many complexities of the Australian Apprenticeships system and the confusion this leads to amongst stakeholders. The duplication of services and inefficiencies within the system has also been highlighted. A primary concern is the number of stakeholders involved in the system and the lack of clear definition of the roles and functions these entities provide within the system.

The stakeholders involved directly in the establishment of the apprenticeship or traineeship include not only the employer and the apprentice or trainee, but also RTOs, STAs, AACs, providers of Job Services Australia and Disability Employment Services and training support officers or field officers provided by some jurisdictions and GTOs.

There are also organisations responsible for the development of policy, implementation and oversight of regulation and quality assurance of the Australian Apprenticeships system, such as the Australian Government, state and territory governments, Industry Skills Councils, Unions, Industry Organisations, COAG, MCTEE and the new National VET Regulator.

We have identified that not only are there multiple stakeholders in the Australian Apprenticeships system, but many of these undertake similar and multiple functions. There is duplication of services and possible inefficiencies within the system. For example Australian Apprenticeships Support Services are provided by both the Australian Government in the form of Australian Apprenticeships Centres and state and territory governments through services such as the ‘ApprentiCentres’ in Western Australia. Adding to this complexity are the funding arrangements within the system to support employers and apprentices and trainees. Financial incentives to support employers and personal benefits for Australian
Apprentices are provided by the Australian Government. In addition to this financial support, state and territory governments also provide a variety of incentives and personal benefits to support employers and apprentices and trainees in their respective jurisdictions.

The complexity of the Australian Apprenticeships system and the lack of clear definition of who does what in the system were highlighted in the 2006 Western Australian Skills Formation Taskforce Report. Throughout their wide ranging consultation process, there was significant feedback about the complexity of the Australian Apprenticeships system. In particular, ‘stakeholders do not know, or recognise, the different roles and responsibilities of the Australian and state government agencies and are confused by the multitude of available programs and the seemingly duplicate information available through a number of sources’. 103 For example ‘there is significant overlap in signup, marketing, monitoring and support for apprentices and trainees. There was strong public opinion that first experiences with the system can be overwhelming and negative due to the number of organisations, confusing systems, poor organisation and delays’. 104 Yet now it is five years later and there is little change in the complexity of the system across states and territories.

The roles and responsibilities of each of the key stakeholders in the system need to be clearly articulated. The services these key stakeholders deliver should be clearly determined to ensure that those entities or providers most suited or best equipped deliver those functions. Appendix Q provides a schematic representation of the key stakeholders in the Australian Apprenticeships system and the functions or services that they provide. The analysis has been provided by determining the delivery of the following key aspects of the system: regulation and standard setting, training provision and intermediaries associated with service delivery.

Current arrangements relating to the establishment and registration of the training contract can be particularly complex.

**Case study: complexity of the system**

Mark finished year 12 last year and wanted to do an Australian Apprenticeship in carpentry. Mark struggled to find an employer due to the lack of coherent information about how to find an Australian Apprenticeship. He tried cold calling employers, looking in the newspaper and contacting Australian Apprenticeship Centres with little success. After about four months, he found an employer through word of mouth.

The employer contacted the local AAC and a staff member came to the workplace and explained to Mark and his employer what was involved in establishing an Australian Apprenticeship. Mark and his employer spent several hours completing a training contract and learning about the responsibilities that they each have and gaining an understanding of the different payments available to employers and Australian Apprentices throughout the Australian Apprenticeship. They were also given a list of RTOs and told that they must arrange a meeting with an RTO to organise the training and sign a Training Plan. They didn’t know how to choose the best one, so they just rang the first RTO on the list.

Three weeks later, Mark went to the RTO and enrolled. He spent half a day filling in more forms and talking about the training, timetable and student fees. The trainer mentioned something about previous learning, evidence, and assessment, but Mark didn’t understand what he was talking about. Mark didn’t want the trainer to think he was stupid so he put the paperwork in his bag and threw it out when he got home.

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103 State Training Board of WA, *Careers for life: creating a dynamic and responsive apprenticeship and traineeship system*, Report of the Skills Formation Taskforce to the Minister for Education and Training, 2006

104 State Training Board of WA, *Careers for life: creating a dynamic and responsive apprenticeship and traineeship system*, Report of the Skills Formation Taskforce to the Minister for Education and Training, 2006
About the same time, Mark received a phone call from the AAC asking him to come to the AAC because the training contract had not been completed correctly. Mark thought it was the trainer who rang, so he went there first. This took considerable time to resolve but the trainer ultimately worked out where he should have gone and gave him the location of the AAC. This resulted in Mark being out of the workplace for close to a day.

The AAC had lodged the training contract for approval, but it was returned by the State Training Authority because of errors resulting from the AAC having difficulty reading Mark’s handwriting when entering the training contract data. A further six weeks later, he was asked to find additional supporting documentation and mail it to the AAC. In total it took close to six months for his training contract to be approved by the STA.

The AAC then turned up several months later with more forms to fill in. There were quite a lot and he had to keep repeating the same information on each form, sign every one and initial every page.

In the first six months of his Australian Apprenticeship, Mark had many questions about what type of work he should be doing on the worksite, his training, his employment conditions and his personal benefit payments. He also had some problems with an older worker who was bullying him at work. He tried talking to the employer but was told he just had to get used to it and things should improve by his second year. He had an extended period of time off work due to this, but got a doctor’s certificate to cover his absence. Whenever he tried to call someone, he was usually passed around from organisation to organisation and rarely got a definitive answer. Mark felt extremely isolated and unsupported during this time.

He didn’t realise he needed to talk to:
- the employer about what he should be doing at work
- the RTO about his training
- the Fair Work Ombudsman about his employment conditions
- the AAC about his personal benefit payments
- the mentoring service about the bullying at work
- the STA to suspend his training contract for the period of his absence.

Evidence of the complexities of the system highlighted in the case study is supported by the findings of Snell and Hart in their study of reasons for non-completion and dissatisfaction among apprentices. They found that there are contradictory views and no clear understanding about the roles and responsibilities of different stakeholders in the Australian Apprenticeships system in terms of providing support for apprentices. Many of the apprentices interviewed described feelings of being left ‘on their own’ and not knowing where to go for advice and assistance. The 2008 Roundtable Report also determined that the current system was confusing and incredibly frustrating with the quality and consistency of information between all parties involved in the Australian Apprenticeship relationship was lacking.

In order to reduce the complexity and increase the efficiency of the Australian Apprenticeships system, more streamlined and effective support for apprentices, trainees and employers is required. As stated by Skills Australia in their discussion paper:

The apprenticeship system is heavily framed by a range of legislative, industrial and administrative controls designed in the main to protect the interests of employees and employers. Occupational licensing requirements are another element in the mix. Support for the apprenticeship system involves a broad

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107 Skills Australia, Creating a future direction for Australian Vocational Education and Training: a discussion paper on the future of the VET system, 2010
cross-section of parties operating at national, state/territory and regional levels. It consists of a range of layers and administrative interrelationships that are not transparent or easily navigated by users of the system. These layers arguably weight the apprenticeship system towards a regulatory and bureaucratic culture.

In an effort to address the complexities within the Australian Apprenticeships system, the COAG Australian Apprentices Taskforce put forward as their first recommendation ‘develop and progressively implement a more seamless Australian Apprenticeship access, re-entry, deferral and support system’.\(^{108}\) The taskforce recommendations were agreed by COAG in December 2009 and are being progressed through the MCTEE Apprentices Action Group. However, further work is required on a number of levels to simplify, streamline and increase the efficiency and effectiveness of the Australian Apprenticeships system.

We consider that reform of the Australian Apprenticeships system to reduce complexity and duplication could focus on the following key elements of the system:

- support for apprentices, trainees and employers
- quality of training both on-the-job and off-the-job
- achieving national consistency of the system
- efficient and effective administration.

Reform would entail reassessing the roles and responsibilities of each of the stakeholders in the system considering the above elements and reallocating the delivery of services to the entity most suited to deliver those services. This would also require Australian and state and territory governments in consultation with industry, unions and other key stakeholders working together to create an enhanced and effective Australian Apprenticeships system. When established, the National Custodian would undertake the role of leading reform in this important area. We believe that in the interim the independent taskforce could progress this work.

**Recommendation 2:**

Enhance the quality and effectiveness of the Australian Apprenticeships system by clarifying the roles and consolidating the number of stakeholders in the system, ensuring that services are provided by the most appropriate provider, duplication of service delivery is reduced and administrative processes are streamlined. The National Custodian would ultimately be tasked with this role and will require Australian and state and territory governments – in consultation with industry, unions and other key stakeholders – to work together. In the interim the independent taskforce would progress this work.

\(^{108}\) COAG Australian Apprentices Taskforce Final Report December 2009 – Recommendation 1
3. Sustainability

Strengthening the employment relationship

It is widely accepted that the biggest threat to an apprentice or trainee not completing their qualification is a breakdown in the relationship between the Australian Apprentice and employer. Many of the factors that contribute to a breakdown in the employment relationship can either be prevented or easily resolved if identified and rectified early. It is important that support mechanisms be built into the Australian Apprenticeships system to ensure that issues can be prevented or rectified before they pose a risk to the ongoing employment relationship.

Support for the employment relationship – employers

Bardon has argued that broad low completion rates mask considerable variation among employers and trade apprentices. Bardon suggests that employers can be classified according to tiers in order to create a clearer picture of completion rates.

Tier 1 – Well established businesses that have a high profile in their region. Trade apprentices are well supported and usually paid above award wages. There are good career pathways for graduating trade apprentices. Approximately 15 per cent of employers of trade apprentices fall into this category. Bardon estimates that in 2007 these employers had a completion rate of 80.3 per cent.

Tier 2 – Generally small to medium enterprises that require a steady flow of skilled tradespeople. They take a conventional and accepted approach to trade apprentice employment, implement the award wage structure, provide support and a generally safe workplace. Approximately 75 per cent of employers of trade apprentices fall into this category. Bardon estimates that in 2007 these employers had a completion rate of 32 per cent.

Tier 3 – Generally start-up businesses with little experience in employing staff. These businesses often have an unsupportive workplace culture and may be motivated by lower wages and subsidies to offset the cost of labour. Approximately 10 per cent of employers of trade apprentices fall into this category. Bardon estimates that in 2007 these employers had a completion rate of 11.5 per cent.

Clearly, the completion rates for Tier 2 and 3 employers, which form the vast majority, are concerning. NCVER has undertaken research on the effect of the size of the employer on completion rates, as shown in the table below. Across all industries employers engaging a larger number of Australian Apprentices had higher completion rates than those employing a single Australian Apprentice. However, this differential varied across industries from negligible to almost 20 percentage points. It can therefore be inferred that employer size is simply one of numerous variables which impact on an employer being classified as a Tier 1 employer.

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110 Bardon, B, Trade apprenticeship completion, 2010
111 NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010
Table 4: Completion rates by trade and size of employer

<table>
<thead>
<tr>
<th>Number of apprentices</th>
<th>1</th>
<th>2–10</th>
<th>11–25</th>
<th>26–50</th>
<th>50–100</th>
<th>100+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eng./ICT/science</td>
<td>0.585</td>
<td>0.645</td>
<td>0.675</td>
<td>0.721</td>
<td>0.694</td>
<td>0.684</td>
</tr>
<tr>
<td>Automotive</td>
<td>0.491</td>
<td>0.509</td>
<td>0.563</td>
<td>0.605</td>
<td>0.61</td>
<td>0.599</td>
</tr>
<tr>
<td>Construction</td>
<td>0.509</td>
<td>0.517</td>
<td>0.543</td>
<td>0.525</td>
<td>0.517</td>
<td>0.493</td>
</tr>
<tr>
<td>Electrotechnology</td>
<td>0.542</td>
<td>0.569</td>
<td>0.64</td>
<td>0.698</td>
<td>0.722</td>
<td>0.736</td>
</tr>
<tr>
<td>Food technicians</td>
<td>0.288</td>
<td>0.299</td>
<td>0.357</td>
<td>0.402</td>
<td>-</td>
<td>0.344</td>
</tr>
<tr>
<td>Animal/horticultural</td>
<td>0.532</td>
<td>0.568</td>
<td>0.638</td>
<td>0.653</td>
<td>-</td>
<td>0.646</td>
</tr>
<tr>
<td>Other trades</td>
<td>0.446</td>
<td>0.456</td>
<td>0.55</td>
<td>0.584</td>
<td>0.577</td>
<td>0.546</td>
</tr>
</tbody>
</table>

Source: NCVER Report 2 *Overview of apprenticeship and traineeship institutional structures*, 2010

This evidence suggests that a small proportion of employers are achieving excellent completion outcomes and the majority are achieving poor outcomes. Therefore the focus of Australian Government intervention should be shifted towards encouraging Tier 2 employers to improve their processes so as to become Tier 1 employers, while also raising the standard of Tier 3 employers. Some researchers, such as the Workplace Research Centre\(^\text{112}\), suggest that Australian Government support to take on Australian Apprentices should be limited to those employers who provide support and care for their Australian Apprentices:

For too long in Australia we have operated on what has been termed the *convoy principle*—the fleet moves at the pace of the slowest boat. It is time that the reference point for support is the higher standard of employer. Designing workforce development around their standard will improve quality and move us beyond a system that is often geared to meeting the needs of the lowest common denominator.

**Structural support for employers**

Employers, especially small-to-medium enterprises, can be supported to provide high quality apprenticeships and traineeships which we expect will improve completion rates. Small-to-medium enterprises may face particular challenges in implementing initiatives without specifically tailored support. Therefore, it is important that provisions are built into the system to ensure that both small and large employers are well equipped to provide a high quality experience for apprentices and trainees.

*Employer accreditation through pre-qualification and training*

A greater focus should be placed on pre-qualification and training of employers before being able to take on an Australian Apprentice. One of the major findings to emerge from research undertaken by Snell and Hart\(^\text{113}\) is that many apprentices and trainees are very critical about their employer’s commitment to training and the training system. They have received little or poor on-the-job training to the point where they question the value of the qualification they are working towards. This presents a significant barrier to improving completion rates.

Snell and Hart suggest that all levels of state and territory governments must demonstrate a stronger commitment to monitoring employment conditions and training quality, to ensure that employers are meeting their obligations. This could be achieved through compulsory assessment of employers and/or workplaces by industry to assess their ability to provide an acceptable level of training and support for Australian Apprentices before being able to enter into a training contract. Alternatively, the Australian Government could operate a regulatory function as per the case study below. Whichever strategy is

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\(^{112}\) Buchanan, J. Jakubauskas, Schutz, H., *From preserving to renovating Australian Apprenticeships*, 2009

used, we believe that employers need to be accredited prior to taking on an apprentice or trainee. A key component of this assessment should be the provision of information and advice on how employers can meet their potential obligations and provide high quality Australian Apprenticeships. Provision of information and advice may also give employers the opportunity to consider other training options available. For example, for many existing workers, alternative Australian Government programs such as the Productivity Places Program may provide a better platform for up-skill employees than undertaking an Australian Apprenticeship.

**Case study: registration of Australian Apprentice Employers in South Australia**

Since September 2008 all prospective Australian Apprentice employers in South Australia have been required to go through a registration process with the South Australian Traineeship and Apprenticeship Services (TAS) within the Department of Further Education, Employment, Science and Technology (DFEEST).

The process involves a DFEEST training consultant visiting the workplace and conducting a formal assessment of the employer’s ability to meet the criteria of the training packages for which they are registering. The Training Consultant also discusses the employer’s ability to provide a safe and healthy workplace, both physically and emotionally, and informs employers of their rights and obligations. Registered employers are then listed on a public searchable database, along with their registration date and the trade qualifications they are registered to provide.

The registering of Australian Apprentice employers and monitoring of workplace and employer capacity by DFEEST staff promotes engagement between employers and the system regulator prior to Australian Apprenticeship commencement. The process also promotes the role of TAS and seeks to remove the risk of Australian Apprentices being employed in workplaces not suited to delivering the training and providing the appropriate environment for an effective Australian Apprenticeship.

Industry groups, such as the Australian Industry Group (AiG)\(^\text{115}\), support the idea of professional development being made available for Australian Apprentice supervisors to equip them with the skills to coach, mentor and assess in the workplace. AiG further suggests that while it is not necessary for supervisors to hold formal training and assessment qualifications, the availability of professional development to enhance their skills could impact positively on retention rates. Oliver\(^\text{116}\) agrees with this concept and proposes extending the model of the former NSW Metal, Engineering and Associated Industries (State) Award which provides a 7 per cent higher duties allowances for employees qualified as workplace trainers. Such steps create an incentive for individual employees to up-skill and take on responsibility for training and development of apprentices and trainees in the workplace.

**Case study: supporting Australian Apprentices through partnerships between stakeholders**

Toyota Australia has formed a partnership with Kangan Batman TAFE to take a shared responsibility in supporting their Australian Apprentices. Toyota and the TAFE meet on a monthly basis to discuss the progress of the Australian Apprentices, issues which may be arising and possible improvements to the program. They have found that a mandatory mentoring program for Australian Apprentices in the workplace has directly contributed to successful Australian Apprentice outcomes. The partnership has enabled the development of an industry and enterprise tailored Certificate IV in Training and Assessment to support the mentoring program. Toyota has many workplace mentors who hold this qualification.

\(^{114}\) Clark, K & Lamb, S, *Provision of Pastoral Care in Apprenticeships*, University of Melbourne, 2009; DFEEST, *Surviving the first 2 years of an apprenticeship*, South Australian Government. 2008

\(^{115}\) AiG Submission to the Australian Apprenticeships Taskforce, July 2009

\(^{116}\) *The link between industrial arrangements and skill reform* – Final Report, Damian Oliver, Workplace Research Centre, 2008.

\(^{117}\) Victorian TAFE Association response to Australian Apprenticeship Taskforce, July 2009
Recognition as a quality employer

One method of encouraging employers to become ‘employers of choice’ is through formal recognition of those employers who show a strong commitment to building the future workforce. We support the development of a range of qualitative measures, for example consideration of previous experience in training including outcomes, as criteria for becoming formally recognised as an ‘employer of choice’. We have considered the recommendation by Australian Chamber of Commerce and Industry (ACCI)\(^{118}\) where employers who have a 6 per cent or greater portion of their workforce as apprentices or trainees become formally recognised as an employer of choice. This recognition would provide the employer with a marketing tool in the form of a logo (or a similar tool) for use on stationery and websites. We support this idea but suggest raising the bar to 10 per cent in line with existing requirements within some government procurement processes. We feel that a measure based solely on the proportion of apprentices and trainees within a workplace is not sufficient to ascertain quality and to gain the status of an ‘employer of choice’. It will be necessary to include other criteria to form an accurate assessment, including qualitative measures such as the provision of inductions and support mechanisms in the workplace. For the apprentice and trainee, access to adequate information to help them define and decide on an ‘employer of choice’ would be valuable. This important work could be managed by the National Custodian.

Advice and support

Employing an apprentice or trainee requires a significant investment on the part of the employer. When issues arise within the employment relationship, there should be mechanisms in place for the employer to seek advice and assistance to resolve these issues. This would ensure that ending the employment relationship is seen as a last resort. STAs, AACSs and GTOs all confirm that early intervention strategies frequently succeed in avoiding a breakdown in the employment relationship. Furthermore, the states and territories that take a proactive approach to cancellations have above average completion rates.\(^{119}\)

There are many ways in which this advice and assistance could be provided to employers. Some examples include centralised call centres, industry bodies, State Training Authorities or field officers who are accessible to apprentices, trainees and their employers. Regardless of how the service is provided, it must be appropriately aligned with other support systems to ensure that support services for employers are streamlined and easy to navigate.

Recruitment and selection of apprentices and trainees

A quality and long lasting employment relationship begins with ensuring a good ‘fit’ between the apprentice or trainee, their employer and the industry they are entering. The results of a survey of employers conducted by Group Training Australia suggest that one of the major factors leading to completion is good recruitment in the first place.\(^{120}\) They state that if you start apprentices and trainees with a view to success, through methods such as aptitude testing and assessing their demonstrated commitment, it provides a strong base for successful completion. It is reported that in some cases, an apprentice or trainee will be employed for reasons that have little bearing on whether they are well suited for the industry, which is ultimately setting them up to fail.\(^{121}\) The importance of quality recruitment and selection is reinforced by ACCI,\(^{122}\) which has published a number of quotes from a medium sized employer of apprentices, a selection of which are below:

We find if you get someone that’ll listen and come back and ask questions if they’ve got a problem, that’s a very good start...you have to see that they’ve got an interest in what they’re doing...

\(^{118}\) ACCI Australian Apprenticeships Taskforce Submission July 2009

\(^{119}\) NCVER Report 2 Overview of apprenticeship and traineeship institutional structures, 2010

\(^{120}\) Group Training Australia, 2005, Good Start: Great Finish- Improving Completion Rates for New Apprentices.

\(^{121}\) Altegis Group, 2009, Barriers and Drivers for Bricklaying Apprenticeships (prepared for CPSISC)

\(^{122}\) ACCI, 2008, Get the selection right, every time.
They’re (good applicants) harder to find...they are out there, it’s just very hard to find them...

We’ve always interviewed our own people and it does take time and it is hard work and you’ve got to do the hard yards. But we find that it pays off in the end.

We believe that more can be done to support employers, especially small-to-medium businesses, to develop effective recruitment and selection processes. This can include the provision of fact sheets and workshops for employers and a greater availability of tools such as aptitude testing. Many industry groups already provide this support for their members to varying degrees. As such, we believe that government and Industry should work together to build on these existing strategies to support employers in their recruitment and selection of apprentices and trainees. This support should pay particular attention to the needs of small and medium enterprises which may not have the resources or expertise to select the most appropriate apprentices or trainees for their business.

**Recommendation 3:**

Establish a formal accreditation process for the pre-qualification and training of all employers of apprentices and trainees to ensure a nationally consistent minimum standard of high quality employment and training is provided. In addition establish an Excellence in Employment Scheme to recognise and reward those employers who have consistently demonstrated their commitment to excellence in training apprentices and trainees.

**Support for the employment relationship – apprentices and trainees**

The case for pastoral care and mentoring for apprentices and trainees is well documented. It is widely argued that the complexity and lack of coherent vision in Australian Apprenticeships Support Services is having a detrimental impact on outcomes. Skills Australia\(^{123}\) suggests that there is a lack of clarity around the ultimate ownership of responsibility for Australian Apprentice wellbeing and the quality of the Australian Apprenticeship experience. At present, this responsibility is dispersed amongst the Australian Government, state and territory government authorities, the training provider and the employer. The nature of many of these support roles tends to focus on the contractual or regulatory compliance of the Australian Apprenticeship as opposed to taking a client-centred approach to monitor the quality of the Australian Apprenticeship experience.

Snell and Hart\(^ {124}\) suggest that there are contradictory views and no clear understanding about the roles and responsibilities of different stakeholders in the Australian Apprenticeship system in terms of providing support for apprentices and trainees. For many non-completers however, it is clear that if better support and assistance was more available, they may have persisted with their training. Similarly, for those still in training, the lack of appropriate support structures places them at significant risk of dropping out when issues arise. It would be beneficial for the level of interaction between regulatory and support bodies and the employer and Australian Apprentice be increased so that there are more regular visits to ensure that both parties are coping with the Australian Apprenticeship.

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\(^{123}\) Skills Australia, *Creating a future direction for Australian Vocational Education and Training*, 2010


\(^{125}\) ACCI Submission to the Australian Apprenticeships Taskforce, July 2009
In recent years there has been a significant push for increasing apprenticeship and trainee commencements, with a particular focus on encouraging the participation of equity groups such as people with disabilities or Aboriginal and Torres Strait Islander peoples. Too often success is limited because there are insufficient support structures in place to be successful in achieving this aspiration.\textsuperscript{126} Completion rates for apprentices and trainees who identify as Indigenous Australians and those with a reported disability, are 30 per cent and 42 per cent respectively.\textsuperscript{127} Bardon suggests that completion rates for those unsure about career goals and with identified learning issues are as low as 10 percent. Consideration must be given to providing appropriate support structures for equity groups to fully participate in the Australian Apprenticeships system with a view to achieving quality outcomes.

**Structural support for apprentices and trainees**

It is clear that if apprentices and trainees are well supported, issues are more likely to be identified and resolved early, which will ultimately lead to better completion outcomes. There are two major ways in which support for apprentices and trainees can be provided through the Australian Apprenticeships system. We strongly endorse mechanisms to support apprentices and trainees that include pastoral care and mentoring.

*Pastoral care*

The term *pastoral care* encapsulates a broad range of services to support apprentices and trainees. These services can address an equally broad range of barriers faced by apprentices and trainees which, while generally not directly related to the workplace, ultimately threaten the successful completion of their apprenticeship or traineeship. Different forms and levels of intensity of pastoral care are required at different points during the apprenticeship or traineeship. The majority of support is often required during the first one to two years. It takes a *whole of person* approach and can include such things as direct support and/or counselling, monitoring and/or visitation, assistance in dispute resolution or information and support more broadly with issues such as life skills or budgeting. The Oz Help program is an example of one way that such a service is being provided.

\textsuperscript{126} Bardon, B, *Trade Apprenticeships Completion Analysis*, 2010

\textsuperscript{127} NCVER Report 2, *Overview of apprenticeship and traineeship institutional structures*, 2010
**Case study: Oz Help Tasmania**

Oz Help Tasmania is an off shoot of the ACT Oz Help organisation that emerged in 2002 within the building and construction industry, in response to a series of suicides among young Australian Apprentices in Canberra’s building and construction industry.

The LifeSkills Toolbox is a nationally accredited 48 hour program designed to build resilience in young Australian Apprentices entering the building and construction industry. The program covers a broad range of issues – identified as crucial to the health and wellbeing of young Australian Apprentices such as decision making, problem solving, budgeting, communication and understanding emotions. It is designed to be completed over the first two years of an Australian Apprenticeship through a series of half or full-day training sessions.

Early intervention is a key element of this model. Oz Help staff deliver an introductory presentation to Australian Apprentices during their first TAFE training day. At this session, the Oz Help counsellors collect contact information for all the Australian Apprentices to form a database of active Australian Apprentices within the industry. OzHelp staff also run a half day ‘Introduction to OzHelp’ for workplace supervisors and mentors. This work with supervisors and mentors aims to advocate for the pastoral needs of Australian Apprentices in the workplace and promotes the benefits of the Life Skills training.

Underpinning this model is a connection between the training provided through the Life Skills Toolbox and the ongoing support provided by OzHelp counsellors. The support service aims to be as flexible as possible and will respond to contact and referrals from Australian Apprentices, employers, RTO staff and any other stakeholders. The response from employers engaged with Oz Help was very positive and the Life Skills Toolbox was regarded as very beneficial to both Australian Apprentices and workplaces more broadly.

OzHelp has successfully developed and trialled pilot programs using the same model in the automotive and hospitality industries, demonstrating the transferability and applicability of this model across industries. Elements key to the effectiveness of the Oz Help model are:

- **Early intervention**– strong relationships with RTOs and employers have facilitated access to new Australian Apprentices and delivery of training and support from the probation stage onwards.
- **Stakeholder interaction**– the Oz Help model is supported by industry bodies and relies heavily on the endorsement and participation of employers and RTO staff.
- **Triangulation**– this model brings together skills provision for Australian Apprentices, education for supervisors and mentors and a case managed on-going support service.

It is important that pastoral care is provided by appropriately skilled and qualified personnel. In the resolution of disputes it is preferable that mediators are independent from both the employer and the apprentice or trainee. However we do not feel that the delivery of pastoral care by an external provider releases the employer from their obligations to train and support the apprentice or trainee.

It is important to point out that there is no one-size-fits-all approach available for pastoral care in apprenticeships and traineeships. Many large employers have the capacity and in some cases already do provide effective pastoral care services in-house. Many small to medium enterprises do not have the capacity or expertise to provide an effective pastoral care service and would require external specialists to deliver the service. The way pastoral care is delivered within organisations should be a decision made by the organisation based upon their ability and capacity for effective delivery. The provision of pastoral care in regional areas where there are few apprentices and trainees spread over a large geographic area presents additional challenges. This means that any Australian Government interventions will require additional innovation in approaches in regional areas.

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128 Clark, K & Lamb, S, Provision of Pastoral Care in Apprenticeships, University of Melbourne. 2009

Mentoring
While often included under the banner of pastoral care, mentoring focuses primarily on career and skill development and is focused on the workplace. The role of a mentor will typically be undertaken by older and more experienced staff in the workplace similar to the traditional apprentice master and is usually in addition to the workplace supervisor. The mentor can provide information and advice on career pathways, development opportunities and general workplace issues, as well as monitoring the overall progress of the apprentice or trainee. Formal mentoring and coaching is a decisive tool in raising the retention rates of apprentices and trainees.130

Case study: mentoring through an Australian Apprentice master131

A manufacturing company in Ballarat, Victoria, assigns an Australian Apprentice master to all of their Australian Apprentices. This person oversees all aspects of the Australian Apprentice’s training, who they are working with, what they are working on and what skills development is to occur. On Fridays, all Australian Apprentices meet with the Australian Apprentice master and review and consolidate what they have learnt for the week and practice tasks. All Australian Apprentices are given broad experience across the workplace for the first two years before specialising more in the third year. These programs have resulted in extremely high Australian Apprentice completions and show the importance and value of effective workplace mentoring.

Research by the Manufacturing Industry Skills Advisory Council SA Inc (MISAC) shows apprentices and trainees value mentoring and a relationship with an experienced tradesperson highly. A survey conducted by MISAC in 2008 asked Australian Apprentices their views on a range of options to improve the Australian Apprenticeship experience. A total of 89 per cent of respondents agreed with the statement that there should be more opportunities to pair up with experienced tradespeople, whilst 49 per cent strongly agreed with the statement.132

We envisage that a mentoring service could be delivered in one of two ways. Many larger employers may wish to undertake their mentoring in-house and would have the capacity and expertise to undertake this function effectively. We acknowledge that many employers already have similar mechanisms in place and may have provided additional training to ensure that mentors have the required skills to undertake this role, similar to the Toyota case study in the Structural support for employers section. For smaller employers, industry or RTOs could be tasked with placing mentors to work with apprentices and trainees in their industry located in a specified geographic area. Regardless of how mentoring is delivered, it is essential that there be regular contact between the mentor and Australian Apprentices and that the mentor is easily accessible if issues arise in the workplace.

ACCI suggests that a similar benefit can be derived through a buddy program whereby newly qualified workers provide support to new apprentices or trainees. The benefits are twofold. Firstly, the newly qualified worker gains a sense of responsibility and boosts their confidence. Secondly, the new apprentices or trainees can receive advice and support from somebody who has recent experience and understands the problems and challenges associated with completing apprenticeships and traineeships.133

130 2008 Australian Apprenticeships Roundtable Report, published April 2009
131 Victorian TAFE Association response to AA Taskforce, July 2009
133 ACCI, Systematic approach to retaining apprentices, 2008
We propose a system that provides comprehensive structural support mechanisms for both eligible apprentices and trainees, as detailed below and their employers. This will take the form of:

- accreditation through pre-qualification and training of employers of apprentices and trainees
- recognition of high quality employers of apprentices and trainees through Excellence in Employment
- making advice and support readily available to employers of apprentices and trainees, including about recruitment and with selection processes
- access to broad pastoral care for apprentices and trainees
- ensuring that apprentices and trainees have access to an apprentice mentor.

Proposed eligibility for structured support mechanisms

We propose that to give greater strength to the current Australian Apprenticeships system, highlighting some apprenticeships and traineeships as priorities is necessary. We suggest that the structured support services described above should only be available to eligible apprenticeships and traineeships in occupations that are priorities for the Australian economy.

We consider that identifying eligible apprenticeships and traineeships would involve the combination of two tests: a priority occupations test and a transferability test.

Concerning the priority occupations test, the Specialised Occupations List,¹³⁵ NSNL and state and territory skills needs lists are a suitable method for distinguishing apprenticeships and traineeships as priority occupations. Further information on the Specialised Occupations List is at Appendix P. If an occupation does not appear on any of these lists, its subsequent need for Australian Government support is debateable.

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¹³⁴ Clark, K & Lamb, S, Provision of Pastoral Care in Apprenticeships, University of Melbourne, 2009
We acknowledge that these lists were not created for the purpose of supporting the targeting of Australian Government investment into apprenticeships and traineeships. However from our investigations they are the most suitable at this time. The occupations on these lists form a starting point for defining which apprenticeship and traineeship qualifications are eligible for additional Australian Government support. It would therefore be for the taskforce and then the National Custodian to develop and identify a better mechanism. It will require high quality and ongoing labour market research and analysis to support the targeting mechanism. Skills Australia could also have a role in validation of the mechanism.

A transferability test could then be applied to those occupations identified as priorities. A qualification is considered to be transferable if it provides the individual with a valued career and can be traded in the marketplace between employers. This reflects our preference for supporting qualifications that have tangible and enduring value for the Australian Apprentice and the economy. The National Custodian identified earlier would be responsible for applying the transferability test. Skills Australia may be able to provide advice for the purposes of developing the transferability test.

We suggest that for those occupations considered eligible apprenticeships and traineeships, the level of Australian Government support required would be the same for both new and existing workers. The list of eligible apprenticeships and traineeships would need to be updated regularly, in line with updates to the priority occupations lists, with broader reviews undertaken at four yearly intervals to coincide with the Fair Work Australia (FWA) reviews of modern awards.

Based on this approach, a range of occupations would not be eligible for structured support services. This includes hospitality, clerical and administrative workers, sales workers, machinery operators and drivers, and labourers occupations. However, we do not recommend that apprenticeships and traineeships cease to be offered for these occupations. As some of these occupations are traditionally female dominated, this policy has the potential to affect female commencements substantially more than male commencements. This can be mitigated by implementing strategies to assist females to enter non-traditional apprenticeships and traineeships.

**Recommendation 4:**

Establish structured support for employers to provide high quality employment and workforce development experiences for eligible apprentices and trainees. The focus of Australian Government support should be on assisting employers to provide high quality on-the-job and off-the-job training through support services such as mentoring and pastoral care.
**Support for eligible apprenticeships and traineeships**

We believe that these measures will address many of the factors that contribute to non-completion. While a considerable sum of money is required for the provision of structured support services, the benefits resulting from these measures will be widespread. We believe that these measures will be most effective if governments and industry can work collaboratively and view improving the quality of the Australian Apprenticeship experience as a shared responsibility. As such, we consider that there is a role for both industry and government in funding these structural support services, as detailed below.

**Current Australian Government support for Australian Apprenticeships**

The Australian Government currently provides a range of payments to employers and Australian Apprentices in the form of incentives and personal benefits. These payments are made to encourage employers to take on Australian Apprentices and to alleviate financial pressure on apprentices and trainees during their training. In 2010–11 $1.061 billion is budgeted to be paid directly to employers and Australian Apprentices.  

Approximately two thirds of these funds will flow to employers and the remaining one third will be paid to apprentices and trainees in personal benefits. A summary of the current incentives and personal benefits is provided at Appendix Q.

The current one-size-fits-all mechanism for incentives is not agile or flexible and is unable to respond to changing workforce and economic demands or differing jurisdictional requirements. Many of the current incentives do not take into account the varying length and complexity of qualifications at the same level. For example, all qualifications at the Certificate III level receive the same commencement and completion payments regardless of whether the qualification takes six months or four years to complete. The incentives system has become increasingly complex and cumbersome.

If one purpose of incentives is to encourage uptake in areas experiencing skills shortages, this has not been achieved. Under the current arrangements only one third of the total incentive payments go to areas experiencing skills shortages. Karmel et al state that there is little evidence to suggest that the introduction and subsequent expansion of financial incentives have significantly increased the number of Australian Apprentices in the traditional trades. However, they suggest that for some traineeships, for example in retail and hospitality, financial incentives to employers have led to large increases in trainees. As discussed earlier, NCVER suggest that in some instances, particularly for retail and hospitality qualifications, the incentives currently paid constitute an implicit wage subsidy to the employer of up to 20 per cent. In these situations, Australian Government support functions more as a labour market program than a training program. We question whether the significant government funds currently being spent on employer incentives for these qualifications are providing any tangible benefit to the broader economy.

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136 2010–11 DEEWR Portfolio Budget Statement, Australian Government
137 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
139 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
140 Karmel et al, The efficiency and effectiveness of apprenticeship and traineeship incentives (internal DEEWR document) 2008
141 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
The NSW Business Chamber\textsuperscript{142} note that completion of the first 12 months of an Australian Apprenticeship strongly correlates with ultimate completion of the training contract. Therefore linking payments with completions has a limited impact on completion rates. The provision of upfront incentive payments also presents issues as employers receive a greater implicit wage subsidy if the apprentice or trainee quits (or is laid off) after one year than if they go on to complete.\textsuperscript{143}

Australia is the only country that pays Australian Government incentives on a broad scale to employers as well as apprentices and trainees.\textsuperscript{144} Over time, the total value of Australian Government investment has increased significantly. However, the interventions of successive Australian Governments have failed to systematically address or take into account the myriad of issues which affect the Australian Apprenticeships system more broadly, for both employers and apprentices and trainees. It is arguable that a significant proportion of the funds invested in incentives represent a poor return as a result of the low levels of completion.\textsuperscript{145}

We recognise the importance of personal benefits paid to Australian Apprentices such as the Living Away From Home Allowance, the Tools for Your Trade and the Support for Adult Australian Apprentices payments. These payments play a vital role in assisting apprentices and trainees to engage with the system who may otherwise not have the financial means to do so. The payments are especially important when considered in the context of the low wages received by apprentices and trainees in the early years of their apprenticeship or traineeship and the costs of participation including fees and travel costs. It is important to recognise that targeted government initiatives for Indigenous Australian apprentices and trainees and people with a disability have had a positive impact on the participation of these groups.\textsuperscript{146}

**Australian Government support into the future**

The Australian Government is a significant financial player in the Australian Apprenticeships system. The current level of investment provides the government with significant leverage to drive the system forward with the goal of providing quality outcomes for Australian Apprentices, employers and the economy. However the current system of broad financial incentives is not working.\textsuperscript{147} Even when funds do flow to priority occupations and industries, the overwhelming evidence suggests that the incentives have little impact on Australian Apprenticeship numbers.

It is time to move away from government support in the form of direct financial payments to employers. The current system has been in place for many years and the outcomes being achieved do not represent an acceptable return on government investment. We suggest that these funds can be redirected towards structured support services which we believe will result in a much greater return on investment in the long term.

Personal benefits to apprentices and trainees, such as the Tools for Your Trade payment, the Living Away From Home Allowance and the Support for Adult Australian Apprentices should continue to be supported consistent with current eligibility arrangements.

\textsuperscript{142} NSW Business Chamber, *Australian Apprenticeship Reform*, 2010


\textsuperscript{144} NCVER Report 1 *Overview of the Australian apprenticeship and traineeship system*, 2010

\textsuperscript{145} NCVER Report 2 *Overview of apprenticeship and traineeship institutional structures*, 2010

\textsuperscript{146} NCVER Report 1 *Overview of the Australian apprenticeship and traineeship system*, 2010

\textsuperscript{147} NCVER Report 2 *Overview of apprenticeship and traineeship institutional structures*, 2010
It is important to recognise the additional barriers that equity groups, such as regionally located and Indigenous Australian apprentices and trainees and those apprentices and trainees with disability, face for their participation. These groups must be appropriately supported, with additional support where necessary, to ensure that these apprentices and trainees have the best possible chance of successful completion.

We are well aware that removing generic financial incentives for employers may result in a reduction in apprentice and trainee commencements in the short term. However, the focus should be on ensuring that Australian Apprentices are well supported and provided with the best possible chance of completion rather than simply aiming for as many commencements as possible in the hope that at least some will complete. This will result in a greater return on investment for the eligible apprentice and trainee, the employer, the Government and ultimately the community.

**Recommendation 5:**

Redirect current Australian Government employer incentives to provide structured support services to eligible apprentices and trainees and their employers in occupations that are priorities for the Australian economy. While a wide range of occupations should be trained through apprenticeship and traineeship pathways, Australian Government support should focus on occupations that have tangible and enduring value for the economy – both in the traditional trades and the newer forms of apprenticeships and traineeships, such as community services, health services and information technology.

**Industry investment**

Our aim is to increase the number of eligible apprentice and trainee completions and to ensure there is an adequate supply of skilled people in the workforce as required by industry now and in the future. Government intervention alone will not be sufficient to achieve this. A shared responsibility is required from all levels of government and industry. We therefore support system reform which encourage an increased investment in training by employers to increase the number of apprentice and trainee completions.

Recovery from the recent economic downturn is already producing skills shortages in some areas and these are likely to continue in the future. We acknowledge the difficulty in projecting future skills needs. However, industry could be better prepared for economic variations including implementing improved workforce skills development and targeted training programs within their organisations for both new entrants and existing workers.

Comprehensive data regarding investment in training by employers is not available. NCVER research highlights the issues of the validity and reliability of the data collected, conflicting estimates from various quantitative sources, contradictory evidence from qualitative research and a lack of good comparative international data.\(^\text{148}\) For this reason we agree with the NCVER suggestion of a national survey of employer training expenditure and practices be conducted so that manageable and robust data can be produced to better inform future training requirements.\(^\text{149}\)

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\(^{148}\) NCVER, Smith, A. Burke, G. Long, M. and Dumbrell, T. *Approaches to measuring and understanding employer training expenditure*, 2008

\(^{149}\) NCVER, Smith, A. Burke, G. Long, M. and Dumbrell, T. *Approaches to measuring and understanding employer training expenditure*, 2008
Although it is difficult to make generalised conclusions, it does appear that there is some variation by industries in training provision for their workforces. NCVER research\textsuperscript{150} has also found that not only do employers vary in the form and amount of training provided for their workforces, but some do not provide any form of training whatsoever.

We acknowledge that those employers who do invest in training, particularly in apprentices and trainees, face a substantial upfront cost.\textsuperscript{151} However there are a number of benefits which accrue to employers as a result of employing an apprentice or trainee, including the direct productive contribution of the apprentice or trainee and the investment in the continued labour supply for the organisation in the medium to long term.\textsuperscript{152} Individual employers however do not usually have access to sufficient information to be able to anticipate skill shortages.

The labour market naturally addresses skills shortages in some instances, however there is often a significant lag-time in training of Australian Apprentices to provide those necessary skills. We believe some employers have a limited focus on their future skill needs and as a result are underprepared for emerging skills shortages. NCVER noted\textsuperscript{153}:

If left to themselves, the choices that individual workers and employers make will produce levels and quantities of skills that are systematically less than are needed (and attainable) to generate maximum output and growth. There are many reasons for this, but they each have the feature that the person/firm who is making the training decision is unable to capture the full benefits of the extra skills that they get from such training.

In responding to this issue we have considered the assistance Australian Government can provide to employers to address the problem. We believe there is a strong public interest in providing assistance to employers to develop and expand the pool of skills in demand and are of the opinion that this is a shared responsibility. Government and industry must jointly invest in training. As NCVER note,\textsuperscript{154} there is a wider economic benefit in such assistance. Economic studies demonstrate convincing evidence that providing additional workers with skills that are in short supply lifts the productivity of other workers, although not at the expense of occupations not in shortage. In addition, reducing the mismatch between skills in demand and skills that are supplied helps reduce the overall level of structural unemployment and inflationary wage pressures.

\section*{Models of shared investment}

International experience demonstrates the popular use of levy-based policy instruments as a mechanism to engage industry support for training. The Netherlands established a national sectoral training fund through collective industrial agreements in the major sectors of the economy. The funds are derived from contributions from all employers covered by the agreements. The levy amount is set as part of the individual agreement and varies by sector, ranging from 0.1 to 0.7 per cent of gross wages. They are managed by collective bodies with both union and employer representation. The funds are administered on a sectoral basis.

\textsuperscript{150}NCVER, \textit{Employer-provided training: Findings from case studies}, Mark Cully, 2005
\textsuperscript{151}NCVER, Report 4, \textit{The economics of apprenticeships and traineeships}, 2010
\textsuperscript{152}NCVER, Report 4, \textit{The economics of apprenticeships and traineeships}, 2010
\textsuperscript{153}NCVER, Richardson, S. \textit{What is a skill shortage?} 2007
\textsuperscript{154}NCVER, Richardson, S. \textit{What is a skill shortage?} 2007
Some other international examples\textsuperscript{155} of government-employer shared contribution schemes include:

- employers and unions setting up training development funds under collective industrial agreements (Belgium, Denmark and the Netherlands)
- government offering tax exemptions to enterprises that train their workers (Belgium, Chile, Germany, South Korea, Malaysia and Pakistan)
- government introduced compulsory financing of training by employers (Denmark, Ireland, South Korea, Malaysia and France – the Training Guarantee was based on the French system which is still in operation).

The Training Guarantee\textsuperscript{156} was implemented by the Australian Government in the early 1990s, where employers paid a portion of their payroll on eligible training or paid the shortfall to the ATO, with some exemptions for small businesses. One of the drivers for the implementation of the Training Guarantee by the Australian Government was the structural adjustment of the labour market in the 1980s, to improve the skill level of workers and to balance decreasing employment security. Notwithstanding the problems that were later identified with the Training Guarantee, evaluation of the scheme showed that it did achieve some of its goals. Employer expenditure on structured training was stimulated and the levy did assist in protecting training expenditure from cutbacks in many enterprises during the recession of the early 1990s. In addition the levy served to heighten managerial interest in training.

There is currently significant variation in how such schemes can operate as they can be driven by industry or governments. Australia has a number of examples of sector specific schemes including:

- the brick and block levy developed in Victoria and now operating in New South Wales, Australian Capital Territory, Queensland, Western Australia, South Australia and Tasmania. This levy is industry owned and is based on the application of a levy not on the employer but directly on the consumer with a per-pallet contribution. The contribution is then used to support training. The levy was introduced by the industry in response to skill shortages, particularly impacting the domestic housing market
- the Construction Training Fund (CTF) is a levy which supports the training of people working in the construction industry in participating jurisdictions. The CTF (also known as the Building Construction Industry Training Fund – BCITF) operates in the Australian Capital Territory, Western Australia, South Australia, Queensland and Tasmania and is mandated through legislation in each jurisdiction. A levy of approximately 0.2 per cent is paid on the cost of the building and construction activity over a certain figure. The scheme operates in a slightly different manner in each jurisdiction. It is the customer not the employer who bears the cost of the levy. The levy is used primarily to support the training of apprentices and trainees.

\textsuperscript{155} Smith A and Billett S; Mechanisms for increasing employer contributions to training: and international comparison; NCVER, 2004

\textsuperscript{156} You get what you pay for – Enhancing employers’ contributions to skill formation and use, A discussion paper for the Dusseldorp skills forum, ACIRRT, University of Sydney, Hall, Buchanan, J. Considine, G. June 2002
Industry support into the future

We recommend a system of shared responsibility, through the implementation of an employer contribution scheme (ECS) which is jointly funded by the Australian Government and employers. Employers of workers (not just apprentices and trainees) deemed to be in occupations of priority to the Australian economy, as described in the Proposed eligibility for structured support services section, would pay a contribution based on payroll expenditure into the ECS fund. All employers of eligible apprentices and trainees would have access to and benefit from the support services and benefits available, as shown by the examples that follow. Payments by the Australian Government into the ECS would match the employer contributions. Funding from the ECS could also be used to provide targeted interventions during downturns.

We acknowledge that there are some employers already providing high quality support services for their employees, such as mentoring and pastoral care, similar to those which will be funded by the ECS. Employers of eligible apprentices or trainees who meet defined benchmarks for training and in the provision of support services would have their contribution rebated either in part or in full. We recognise that many employers, particularly small and medium enterprises, lack the scope within the firm to invest in high quality support services on top of their existing demands. These companies in particular would benefit from the services jointly funded by the ECS and the Australian Government.

Case study: examples of the ECS in action:

Case study one
Employer X is a well established aged care facility with a long history of employing Australian Apprentices. The employer invests heavily in the training of their employees and this has led to excellent staff retention and a highly skilled and productive workforce. Over the years the employer has implemented a range of strategies and programs to support their Australian Apprentices and ensure that they receive quality on-the-job training. Because they employ workers in a priority occupation, they are required to pay a percentage of their total payroll into the ECS. The Australian Government contributes an equal amount into the ECS. The company contributes to skill development by employing Australian Apprentices and meets the defined benchmarks for quality training and the provision of support services in the workplace for their Australian Apprentices. In recognition of this, they are able to claim a rebate on their contribution. Employer X is still eligible to take advantage of any of the services funded through the ECS, which are complementary to those already offered in the workplace, as well as any assistance during downturns which is funded through the ECS.

Case study two
Employer Y is a self employed locksmith whose business has expanded to the point of taking on an Australian Apprentice for the first time to assist in meeting the demand from an expanding client base. The employer does not have the capacity to provide any formal quality and support mechanisms for their apprentice. The employer pays a contribution to the ECS which is matched by the Australian Government. The employer is able to access assistance funded through the ECS to support them in promoting an effective employment relationship and deliver quality on-the-job training from people within the industry who understand the needs of the business. The Australian Apprentice has access to pastoral care and mentoring through an industry-based field officer funded by the ECS. The programs and services available to the Australian Apprentice and the employer through the ECS have been instrumental in working through challenges that may otherwise have caused the Australian Apprentice to drop out.

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157 Identifying employers ‘in-scope’ would need to consider subcontracting arrangements, e.g. those common in the construction industry.
**Case study three**

Employer Z is a large manufacturing company that employs 60 fully qualified tradespeople across a number of priority occupations. Because they employ workers in priority occupations, they are required to pay a percentage of their payroll into the ECS, which is matched by the Australian Government. The employer does not employ any Australian Apprentices and only employs tradespeople who have already undertaken their Australian Apprenticeship with other employers. As they do not contribute to skills development in their industry through the employment of Australian Apprentices, Employer Z does not receive a rebate for their contribution. Should the employer choose to employ Australian Apprentices in priority occupations in the future, they would be able to benefit from the structured support services.

The management of these funds would need to occur at an industry level to ensure appropriate recognition is afforded to the unique priorities and challenges of each particular industry. This is in line with the findings of Smith and Billett who state that there are a number of factors which contribute to successful employer contribution mechanisms, as listed below:

- the enterprise or industry sector identifies or expresses a particular need or inadequacy such as a skill shortage or the need for professional development
- it is independent from government
- the mechanisms for collection, decision-making and enacting are visible and accessible to the enterprises contributing to it
- enterprises can identify the positive outcomes of the system
- the application of funds generates a commitment to ongoing contributions.

In recommending the use of the ECS, we acknowledge that financial assistance in and of itself will not be the cure-all to addressing the problem of training support to ameliorate skills shortages. NCVER have noted that:

Policy makers in the VET area should be aware therefore that one-dimensional approaches, such as training levies, to increase the level of employer training are unlikely to be successful. A more sophisticated and nuanced approach to encouraging employers to invest in the training and development of their workers is necessary.

We believe our proposal meets this requirement with its strong emphasis on structured support and the demonstrated provision of quality training.

**Recommendation 6:**

Reinforce the need for a shared responsibility for the Australian Apprenticeships system by establishing an Employer Contribution Scheme in which employer contributions will be matched by the Australian Government. Employers who meet defined benchmarks for training and support of eligible apprentices and trainees would have their contribution rebated, either in part or in full.

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158 Smith A and Billett S; *Mechanisms for increasing employer contributions to training: and international comparison*; NCVER, 2004

159 NCVER, *Reasons for training: Why Australian employers train their workers*, Smith, Ockowski, Hill, 2009
The new funding system

We envisage that when the contributions from employers and the Australian Government are combined, a large pool of funding will become available to fund the described structured support services. A diagrammatic representation of the proposed new funding system is shown in Figure 1 below.

Figure 1: A Shared system – Australian Apprenticeships flowchart
Support during downturns

There is a long term and close interaction between apprenticeships and the economic cycle, as demonstrated by the following figure\textsuperscript{160}.

**Figure 2: Apprentices and trainees in-training at 30 June, and unemployment rate, 1966–2008**

![Graph showing unemployment rate and in-training numbers from 1966 to 2008](image)


NCVER\textsuperscript{161} note that traineeships have very limited interaction with the economic cycle, although as they are relatively new there is less data to review. Apprentices suffer adverse short and medium-term effects from economic cycle fluctuations. The current system’s lack of flexibility limits recovery options in any upturn, suggesting apprenticeships require specific consideration. We believe that steps need to be taken to protect the apprentice’s training contract during these times.

During downturns, the impact is felt most strongly in apprenticeship commencements and in occupations already affected by supply shortages. Commencements decline during downturns and typically take time to recover. The medium-term impact is further compounded as an apprenticeship typically takes three to four years to complete, making the impact longer lasting and thereby deepening existing skills shortages.

Conversely, most traineeships do not interact with the economic cycle to the same degree. Generally, traineeship commencements can increase and recover quickly, partially due to the nature of the industry, occupation (e.g. retail) and the shorter time usually taken to complete the traineeship.

The impacts of economic downturn are masked in the overall Australian Apprenticeship data as traineeship commencements remain strong. Traineeship commencements in 2009–10 were more than double that of apprenticeships.\textsuperscript{162} As trainees also represent over half of all people under a training contract and currently in training,\textsuperscript{163} they influence statistics to show a reduced impact of the Global Financial Crisis on the Australian Apprenticeships system.

\textsuperscript{160} NCVER Karmel, T. Misko. *Apprenticeships and traineeships in the downturn* 2009
\textsuperscript{161} NCVER Report 4 *The economics of apprenticeships and traineeships*, 2010
\textsuperscript{162} NCVER, Apprenticeships and Traineeships, 2010 June quarter
\textsuperscript{163} NCVER, Apprenticeships and Traineeships, 2010 June quarter
Significantly, in spite of Australia’s resources boom, NCVER\textsuperscript{164} found that the most recent downturn was no exception to previous experience. When comparing the period of downturn with the period immediately preceding (downturn of 2008 quarter 3 to 2009 quarter 4 with comparison period of 2007 quarter 3 to 2008 quarter 2), there were quite dramatic declines in the numbers of commencements across a number of trades, particularly construction trades and automotive and engineering, and electro technology and communications trades.

Table 5: Impact of downturn on apprentice commencements\textsuperscript{165}

<table>
<thead>
<tr>
<th>Trade Description</th>
<th>Downturn period ('000)</th>
<th>Comparison period ('000)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Engineering, ICT and science technicians</td>
<td>5.2</td>
<td>4.8</td>
<td>8.3</td>
</tr>
<tr>
<td>32 Automotive and engineering</td>
<td>24.1</td>
<td>31.5</td>
<td>-23.5</td>
</tr>
<tr>
<td>33 Construction trades workers</td>
<td>25.1</td>
<td>33.9</td>
<td>-26.0</td>
</tr>
<tr>
<td>34 Electrotechnology and telecommunications trades workers</td>
<td>13.5</td>
<td>17.0</td>
<td>-20.6</td>
</tr>
<tr>
<td>35 Food trades workers</td>
<td>14.1</td>
<td>14.7</td>
<td>-4.1</td>
</tr>
<tr>
<td>36 Skilled animal and horticultural workers</td>
<td>6.0</td>
<td>5.9</td>
<td>1.7</td>
</tr>
<tr>
<td>39 Other technicians and trades workers</td>
<td>21.6</td>
<td>17.0</td>
<td>27.1</td>
</tr>
<tr>
<td>391 Hairdressers</td>
<td>8.0</td>
<td>8.9</td>
<td>-10.1</td>
</tr>
<tr>
<td>392 Printing trades workers</td>
<td>0.9</td>
<td>0.9</td>
<td>0.0</td>
</tr>
<tr>
<td>394 Wood trades workers</td>
<td>2.2</td>
<td>3.2</td>
<td>-31.3</td>
</tr>
<tr>
<td>399 Miscellaneous</td>
<td>10.3</td>
<td>3.8</td>
<td>171.1</td>
</tr>
<tr>
<td>3 Technicians and trades workers</td>
<td>109.5</td>
<td>124.9</td>
<td>-12.3</td>
</tr>
</tbody>
</table>

Notes: 3 Technicians and trades workers includes some not further defined trade occupations as well as 393 Textile, clothing and footwear trades

Source: Apprentice and trainee collection, June 2010 estimates

Table 5 shows that the number of commencements declined significantly in some (but not all) trades, however there is little evidence of comparable effects on traineeships. Table 6 makes the same comparison for traineeships showing that overall there was an increase. The primary reason for this is that the occupations in which trainees work were not affected to the same extent as the trades. Apart from managers and professional trainees (where the numbers are small in any case) the only group to be affected are machinery operators and drivers which are much closer to those sectors of the economy that were badly affected by the downturn.

\textsuperscript{164} NCVER Report 4 \textit{The economics of apprenticeships and traineeships}, 2010
\textsuperscript{165} NCVER Report 4 \textit{The economics of apprenticeships and traineeships}, 2010
Table 6: Non-trades commencements in the downturn (‘000)\

<table>
<thead>
<tr>
<th></th>
<th>Downturn</th>
<th>Comparison period</th>
<th>Decline due to downturn (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers and professionals</td>
<td>13.8</td>
<td>16.1</td>
<td>14.3</td>
</tr>
<tr>
<td>Community and personal service workers</td>
<td>65.1</td>
<td>61.4</td>
<td>-6.0</td>
</tr>
<tr>
<td>Clerical and administrative workers</td>
<td>82.9</td>
<td>76.2</td>
<td>-8.8</td>
</tr>
<tr>
<td>Sales workers</td>
<td>62.0</td>
<td>60.5</td>
<td>-2.5</td>
</tr>
<tr>
<td>Machinery operators and drivers</td>
<td>36.7</td>
<td>39.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Labourers</td>
<td>36.4</td>
<td>35.7</td>
<td>-2.0</td>
</tr>
<tr>
<td><strong>Total (non-trades)</strong></td>
<td><strong>296.9</strong></td>
<td><strong>289</strong></td>
<td><strong>-2.7</strong></td>
</tr>
</tbody>
</table>

Source: Apprentice and trainee collection, June 2010 estimates

In 2009 the then Deputy Prime Minister Julia Gillard said\[167\] *that as a nation we failed to make the boom years pay. We underinvested. We lived off human capital accumulated in previous decades.* Government has struggled to comprehensively address skills shortages in regards to Australian Apprenticeships, as current arrangements are constricted to a long term Australian Apprentice outcome, instead of a multi faceted approach.

Despite the positive impact that has been achieved by initiatives such as the Apprenticeship Kickstart Bonus and Extension, such approaches serve to increase Australian Apprenticeship commencements, but do not preserve the training contract or encourage the employment and training relationships.

It is our aspiration to have a system that provides a steady supply of skilled workers to meet the demands of the economy. A system that can respond to the ebb and flow of the economic cycle and respond to medium term needs, including taking effective action to address skills shortages. This would be achieved in part by preparing for downturns before they arrive, so as to better protect this important component of the workforce and to protect the training contract sensibly, whilst allowing business to make appropriate decisions for their own survival and recovery.

We believe it is essential and the responsibility of all to maintain the continuity of the training and the employment relationship. Therefore it requires a collaborative effort to provide a range of options to apprentices and employers to assist in managing, enduring and surviving tough economic conditions, and to be well positioned to be involved in and capitalise on economic recovery.

**Options for support during a downturn**

With imaginative thinking and cooperation between employers, unions, training providers and Australian Government, flexible alternatives and arrangements can be implemented to ensure the continuation of the employment relationship for all apprentices and traineeships during an economic downturn. However we envisage that the ECS could be accessed in times of downturn to support flexible employment and training arrangements for *eligible apprenticeships and trainees*.

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\[166\] NCVER Report 4 *The economics of apprenticeships and traineeships*, 2010

\[167\] Universities Australia Conference speech 4 March 2009 by then Education Minister Gillard
The Workplace Research Centre has examined the response by other industrialised countries to the challenge of supporting their apprenticeship systems during a downturn. The research found that few countries had a comprehensive, substantive strategy for mitigating the impact of a downturn on apprentices and trainees. However, it did identify some challenges that needed to be managed in the medium term to allow the Australian Apprenticeships system to respond adequately during a downturn.168 These include:

- **Rebalancing the blend of employment and institution based learning** - This includes consideration of measures to ensure quality employment based learning is preserved during periods of stagnant or declining labour demand. A careful distinction needs to be made here between an industry suffering from a temporary downturn and an area experiencing longer term economic decline where support would represent an inefficient use of resources.

- **Employers are the greatest and weakest asset in the Australian Apprenticeships system** - Support should be provided to those employers who are committed to a longer term perspective and the offering of ongoing employment, particularly during a downturn. More attention should be paid to seeking out employers with good on-the-job training arrangements and flexibility in managing their Australian Apprentices during a recession, rather than those with a limited capacity to provide quality training.

- **Stakeholder cohesion is a prerequisite for establishing and maintaining a quality Australian Apprenticeships system** - Within industry sectors strategies should be developed for improving stakeholder dialogue and cohesion, and in implementing flexible responses during a downturn. The aim being to maintain valuable training and ongoing employment for Australian Apprentices and ensuring responses are appropriate for the specific industry sector concerned. The research considered those initiatives which have been tried overseas such as coordinated work placement programs, flexible mixture of work and training options and employer based Australian Apprenticeship retention schemes.

We are also aware of examples in Australia, such as the response to the most recent downturn by the automotive industry. This included measures to ensure enhanced participation by stakeholders in training and productivity measures.

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**Case study: the Automotive Industry response to the economic downturn**

In late 2008 the three major Australian car makers announced their intention to reduce production in the first 6 months of 2009 by closing their manufacturing plants for substantial periods. This came as a consequence of an almost 40 per cent severe slump in new car sales.

Employees of automotive manufacturers and component suppliers were facing perhaps five to six weeks without paid work (even after accessing accrued leave, rostered day-off etc) unless alternative arrangements were developed. There was an acknowledged risk that workers would exit the components sector in such numbers that the sector might not be able to respond effectively when demand improved.

The Australian Manufacturing Workers Union and a component sector company gained Government support to pilot a workforce skills analysis and development plan that was designed to use this non production time to assist in positioning the company to meet the challenges of an industry in transition.

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The key components of the plan included:
- maximising future skills and labour retention by implementing a skills analysis and workforce planning & development strategy during periods of reduced production
- preventing and minimising attrition and maximising opportunities for employees to build their skills and qualifications through recognition of prior learning and structured training leading to nationally recognised training package qualifications
- maximising labour productivity by building higher level skills to underpin flexibility, innovation, productivity, environmental sustainability and lean manufacturing to meet the challenges of a dynamic, and carbon constrained, future
- building flexible component manufacturing capability as the industry transitioned under the $6.2 billion Government – New Car Plan for a Greener Future innovation initiative.

A joint steering committee undertook a series of key steps designed to manage the process and a project manager was appointed to manage the pilot. All levels of the workforce were engaged in the identification and analysis of key tasks and work requirements. Job profiles that reflected the anticipated needs of the industry were negotiated. The key work requirements were aligned to competency units from relevant National Industry Training Package qualifications. A skills audit was conducted to assess the competencies of individual workers and align them with the job profiles and competencies.

Competency gaps were identified. Case managed individual learning plans were established and developmental opportunities provided to meet the identified skills requirements and other support measures.

Key Outcomes
- 375 of over 500 workers participated in formal workforce development activities including formal training, with 182 workers receiving nationally recognised qualifications ranging from Frontline Management to Competitive Manufacturing to Training and Assessment
- Improved understanding and capability, at an enterprise level, of skills analysis, workforce planning and development techniques
- Enhanced levels of participation in post school vocational learning amongst the existing workforce
- Improved case management of existing–worker learning strategies
- Improved skills and labour retention
- Proper documentation of ‘transferable’ skills and qualifications within and across industry sectors
- Improved relationships between the enterprise and vocational education and training providers
- Enhanced productivity and efficiency through the deployment of fit-for-purpose skills and workforce development initiatives
- Development of an Industry led existing–worker skills recognition and credentialing process consistent with the national training system.

We consider that measures to allow for a more effective response to a future downturn should include the mobilisation of industry based taskforces, identifying training contracts in jeopardy and allowing flexibility in training and employment arrangements.

Industry based taskforces comprising of employers, unions and training providers could be mobilised at the beginning of a downturn to quickly develop strategies to support the retention of apprentices and trainees by employers in that industry. The focus of the taskforce would be to develop flexible training and employment arrangements specific to the industry sector to ensure ongoing quality training and the maintenance of the employment relationship for the duration of the downturn and beyond.
Industries in danger of redundancies for apprentices and trainees need to identify their positions in a timely manner so that support and effective interventions can be implemented. We recommend that existing training contracts should be amended to include an obligation by the employer to report to the relevant State Training Authority if a contract is in danger of being terminated due to redundancy. The requirement for notification would apply to contracts that are threatened due to a general economic downturn, rather than issues specific to an individual employer which are unrelated to the overall economy.

Allowing flexibility in training and employment arrangements could include:

- temporary reduction in hours worked and increased off the job training, including possible periods of ‘block’ training and recognising that this could lead to extra costs to the training provider
- a coordinated work placement program that provides for flexible arrangements within specific industries to allow apprentices and trainees to temporarily move to other employers with higher demand
- improved skills development including ensuring encouragement of students into pre-apprenticeships as a pathway into an apprenticeship and traineeship and recognition of prior learning and current skills and competencies of both new and existing apprentices and trainees
- development of improved support, mentoring and case management of apprentices and trainees affected by a downturn.

We envisage that governments can play an enhanced role in assisting apprentices, trainees and employers during a downturn. This would include:

- subsidies for employers to retain existing apprentices and trainees and provide flexible training opportunities
- resources to help match apprentices and trainees facing redundancy with other employers who may have temporary positions
- enhanced case management of affected apprentices and trainees.

Some funding for this enhanced support could be provided to employers of eligible apprentices and trainees from the ECS and be administered by industry based administrators in consultation with the Australian Government.

Funding provided through the ECS for structured support services could be withheld to those employers who are unable or unwilling to participate in cooperative industry arrangements to respond to a downturn.
Recommendation 7:

Facilitate a cooperative and flexible approach by governments and industry bodies to allow for the continuation of both training and employment of apprentices and trainees during periods of economic downturn. Early intervention should be a key element of this approach. Support for a range of measures to be in place until economic recovery occurs could include:

- reduction of work hours offset by additional training
- increased off-the-job training
- placement with other employers within the industry
- increased mentoring and support.

Increasing participation

We believe that increasing the participation of individuals in the Australian Apprenticeships system will assist in ensuring the sustainability of the system. Three key areas that we believe need to be considered are:

- the pathways into apprenticeships and traineeships
- extending the reach of the Australian Apprenticeships system
- re-establishing the status of the Australian Apprenticeships system

Pathways into Australian Apprenticeships

VET in Schools including Australian School-based Apprenticeships

VET in Schools refers to school-based VET programs that provide students with credit towards the Senior Secondary Certificate of Education (SSCE) while they also gain a national industry recognised qualification. The introduction of VET programs into schools, integrated with the Australian Qualifications Framework (AQF) and SSCE, has been seen as a means of providing more diverse pathways to work and further study for young people. There are two ways for students to do this: either through institution-based courses or subject programs or as an apprenticeship or traineeship while completing their SSCE. Career advisors and those in the education system are well placed to promote VET in Schools and Australian School-based Apprentice (ASbAs) arrangements as an entry pathway into and platform for a viable and interesting career through an Australian Apprenticeship.

ASbAs differ from VET in Schools programs in that they include an employment arrangement and the requirements for the Australian Apprentice, training provider and employer are set out in the training contract and training plan. An ASbA is a part-time Australian Apprenticeship arrangement which enables senior school students to commence a formal qualification while completing their school studies and also earn a wage for the time spent in the workplace.
This arrangement provides an important pathway into a career, however it also requires a high level of determination and organisation from the student who has to balance both their studies and employment as an Australian Apprentice. An ASbA participant may complete their qualification part-time before leaving school or full-time after completing Year 12, depending on the length of the course and the competencies they are able to achieve during their secondary schooling. State and territory governments are responsible for the state based legislation which underpins the provision of Australian School-based Apprenticeships. This legislation can determine, for example, the number of hours that a part-time Australian Apprentice must be employed for each week. The percentage of Australian Apprentices who are ASbAs differs significantly between the states and territories, with Queensland and Victoria having substantially higher proportions than other jurisdictions.169

There is a considerable level of student engagement in VET in Australia. In 2008, over 41 per cent of students undertook at least one VET subject as part of their SSCE.170 Of the 229 500 students undertaking VET in Schools programs in 2009, 21 500 were ASbAs which equates to 9.4 per cent. Students undertaking an ASbA are more likely to be working towards a Certificate III or above qualification, while VET in Schools students were undertaking training at the Certificate 1 or II level.171

Karmel and Mlotkowski172 found that the completion rate for the cohort of Australian Apprentices who commenced in 2002 was 47.8 per cent for ASbAs at the Certificate I and II levels. This was higher than the comparable rate for non-School based Australian Apprentices aged 19 and under at commencement, who had a completion rate of 46.1 per cent. For ASbAs studying at Certificate III level and above completion rates were 41.8 per cent compared with 47 per cent for the non-School based cohort.173 It can be assumed that the ASbA cohort studying at the Certificate III and above level would have completed their training post School, and the transition to a full-time Australian Apprenticeship (in some cases with a different employer) and losing the pastoral care provided by the school may have an impact on completion rates. Additional support at these transition points for this vulnerable cohort may positively influence completion rates. Anecdotal reports also suggest that some ASbAs may choose to transition in to a different training package within the same industry post-Year 12, which would be recorded as a non-completion, but could still be a positive outcome for the individual and industry. Without a unique student identifier it is not possible to track these transitions.

The Australian Government provides significant financial support to VET in Schools. A substantial element of this funding is directed through general funding to states and territories under the National Skills and Workforce Development Agreement. The Australian Government also directly targets VET in Schools through:

- Trade Training Centres in Schools Program— A key aim of this program is to help address national skills shortages in traditional trades and other eligible occupation areas by improving the relevance and responsiveness of trade training programs in secondary schools. This program is also an important element of the Australian Government’s workforce development agenda. The Australian government is providing $2.5 billion over 10 years to enable all secondary schools across Australia to apply for funding of between $500 000 and $1.5 million for Trade Training Centres
- The National Trade Cadetship Program. The program will form part of the new National Curriculum and is being developed by the Australian Curriculum and Assessment Reporting Authority in partnership with Industry Skills Councils. As part of the National Curriculum, Trade

170 MCEEDYA, 2008 VET in Schools Statistics, 2009
173 Karmel, T. & Mlotkowski, P. *School-based apprenticeships and traineeships*, NCVER, 2008
Cadetships will provide clearly defined, robust, nationally recognised and consistent pathways for School students who want to pursue a career in the trades or vocational industries, or for students to keep that option open. The Australian Government is providing $3.1 million over two years for the establishment of the curriculum and a further $25 million over, 2012–2014 to support structured work experience places for National Trade Cadets.

We note the significant level of investment being directed to VET in Schools however, as the Skills Australia discussion paper on the future of the VET system points out:

Debate about funding for VET in Schools is longstanding. Analysis suggests the lack of a coherent and integrated funding framework resulting in inconsistencies among schools and between schools and other VET providers.

The paper makes a number of suggestions on ways to allocate funding that will support high quality VET. These include:

- requiring schools to allocate enrolment-related funding on the same basis to all subjects both academic and VET
- providing supplementary funding to meet additional costs where VET subjects exceed average costs
- providing supplementary funding for all VET enrolments to meet the costs of compliance, work placement and other costs specific to VET programs
- ensuring that School-based apprentices and trainees are able to access User Choice funding
- providing both average and supplementary funding on an enrolment or demand-driven basis.

While funding is an issue, a recent national consultation conducted by Service Skills Australia (SSA) identified that:

A major concern is the inconsistency between VET in Schools, both within a jurisdiction as well as across Australia. Currently there are no common standards around approval, regulation, resourcing, administration, delivery and monitoring of VET in Schools.

Further, SSA heard that quality issues (not just limited to VET in Schools) were a key component of consultations. SSA heard descriptions of the massive variability (excellent to indefensible) in VET in Schools modules across Australia.

Other industry bodies challenge whether the current arrangement will ensure the foundation skills required for an Australian Apprenticeship arrangement are available. EE-OZ Training Standards notes that industry intelligence indicates that secondary education is failing to provide the foundation skills required by trade Australian Apprentices, particularly in maths and science. Evidence for this is reflected in non-completion rates and a need for the provision of additional basic skills support to Australian Apprentices by industry and RTOs. In the view of EE-OZ Training Standards this situation places undue burden on industry and the VET sector to supplement the development of skills which should have been taught in schools.

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174 National Trade Cadetships; Julia Gillard and Labor: Let’s move Australia forward; 2010
175 Skills Australia, Creating a future direction for Australian vocational education and training: a discussion paper on the future of the VET system; October 2010
176 Skills Australia, Creating a future direction for Australian vocational education and training: a discussion paper on the future of the VET system; October 2010
177 Service Skills Australia Services; Industries VET in Schools Project 2010
178 EE-OZ Training Standards; Maintaining an Effective Energy Sector Apprenticeships System, August 2010
Our view is that the VET in Schools pathway and ASbAs have the potential to be a very powerful mechanism for increasing commencements in Australian Apprenticeships. However, we believe that the way they are currently structured together with broader issues including the status of the Australian Apprenticeships system combine to dull the potential of VET in Schools as a pathway. As demonstrated by the Skills Australia discussion paper, this is a significant issue of concern which is expected to grow in importance. Given the significance of recent Australian Government reform, the focus on schools, skills development and further study and the changes in legislation requiring young Australians to learn or earn, these types of pathways are only going to grow in importance and will need better links into the Australian Apprenticeships system. Our view is that a separate body needs to be given the task of aligning VET in Schools and the Australian Apprenticeships system. We are also of the opinion that formally regulating the quality of VET in Schools activities within the VET system would enhance the value of the VET in Schools pathway. This could be undertaken by the National VET Regulator once established.

**Recommendation 8:**

Formally regulate the quality of VET in Schools within the VET system to enhance the consistency and quality of training across all jurisdictions and to recognise the potential of VET in Schools as a pathway into an apprenticeship or traineeship.

**Pre-apprenticeship and pre-vocational pathways**

Pre-apprenticeship programs have been delivered in Australia since the early twentieth century, in one form or another, to increase the supply of potential Australian Apprentices. In the 1930s in New South Wales, pre-apprenticeship programs were used as a measure to combat unemployment and they were common nationwide throughout the 1950s, 1960s and 1970s. Pre-apprenticeship training provides a pathway into an Australian Apprenticeship by delivering skills required through off-the-job training and simulated or real work experience. If the course is successfully completed then pre-apprenticeship training can provide a measure of credit towards the first year of the Australian Apprenticeship, in recognition of the higher level of skills a pre-apprenticeship graduate has obtained.

The Kirby Inquiry of 1984–85 led to the introduction of traineeships, which may have diverted interest from pre-apprenticeship courses, which declined during the 1990s.

Despite the long history of pre-apprenticeship, there is a lack of comprehensive data on the numbers and models of pre-apprenticeship courses or the outcomes for course participants. This is identified by Dumbrell and Smith as being partially due to the inconsistent nomenclature used to describe pre-apprenticeship training which has made measuring pre-apprenticeship activity difficult. In its broadest interpretation, pre-apprenticeship training is training that prepares an individual for a specific Australian Apprenticeship. However there are many skills that an individual may require to be ready to undertake an Australian Apprenticeship arrangement, such as general employability skills as well as trade skills specific to the intended Australian Apprenticeship or occupation. This has led to the development of many different models of pre-apprenticeship training suited to the demands of different occupations and the development of pre-vocational training, which has a focus on more general preparation for a range of training and/or employment outcomes. Pre-vocational training is often utilised as a pathway

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179 Dumbrell, T. & Smith, E. *Pre-Apprenticeships in Three Key Trades*, NCVER, 2007
180 Dumbrell, T. & Smith, E. *Pre-Apprenticeships in Three Key Trades*, NCVER, 2007
181 Dumbrell, T. & Smith, E. *Pre-Apprenticeships in Three Key Trades*, NCVER, 2007
for equity groups to gain core skills to improve their employability prior to commencing a pre-apprenticeship course, an Australian Apprenticeship or another training and/or employment option.

Employers see pre-apprenticeship training as valuable as it provides participants with the opportunity to test out whether they are suited to the Australian Apprenticeship before they enter an employment arrangement.\textsuperscript{182} Further, in hiring a pre-apprenticeship graduate, an employer gains an Australian Apprentice who has already had some exposure to the industry and developed some skills and is better prepared for the challenges of undertaking an Australian Apprenticeship. Research has shown that reduced employer demand for Australian Apprentices is linked to a declining perception of the quality of applicants.\textsuperscript{183} Studies that have included employers have shown the majority to be very positive about pre-apprenticeship training. Some employers in particular industries, such as electro technology consider pre-apprenticeship training to be a pre-requisite to an Australian Apprenticeship.\textsuperscript{184}

Multiple studies on why Australian Apprentices fail to complete their Australian Apprenticeship indicate that a lack of understanding of what an Australian Apprenticeship entails is a major factor. A lack of fit between student capability and course demands, wrong choice of subject, poor preparation and lack of readiness are also listed.\textsuperscript{185} These non-financial factors leading to withdrawal from an Australian Apprenticeship could be addressed through pre-apprenticeship training courses that allow participants to test out their chosen Australian Apprenticeship path prior to committing to a training contract with an employer.

The Department of Education, Employment and Workplace Relations’ (DEEWR) internal data management system suggests that completion of a pre-apprenticeship training program may have a positive impact on completion rates for the subsequent Australian Apprenticeship, especially for those aged 24 and under. Also of note, NCVER\textsuperscript{186} research shows that Australian Apprentices in-study who completed a pre-apprenticeship were more likely to be planning further study related to their trade.

The extent to which pre-apprenticeship training impacts upon completion rates is difficult to measure, due to the differences in content of the pre-apprenticeship courses available and the varying names that they go under. Determining which components of pre-apprenticeship training, such as work experience, employability skills or advanced standing upon commencement of the Australian Apprenticeship, contribute to an increase in completion rates would require an agreed national definition for pre-apprenticeship training and principles governing what courses need to deliver. We believe that the National Quality Council is well placed to develop definitions for pre-vocational and pre-apprenticeship training. This would assist in accurately determining the outcomes achieved through pre-vocational and pre-apprenticeship training. While pre-apprenticeship training needs to be flexible enough to meet the varying needs of industry, a level of consistency is necessary to ensure a high standard of quality of training for participants and employers.

Industry Skills Councils were tasked with developing strengthened pre-apprenticeship programs as a result of the recommendations of the Australian Apprentices Taskforce. We believe that this industry led process represents the best vehicle for the establishment of nationally consistent pre-apprenticeship programs.

\textsuperscript{182} Dumbrell, T. and Schutz, E. An Examination of the Effectiveness of the Australian Pre-Apprenticeship Model, The University of Sydney, 2009
\textsuperscript{183} Dumbrell, T. & Smith, E. Pre-Apprenticeships in Three Key Trades, NCVER, 2007
\textsuperscript{184} Dumbrell, T & Smith, E Pre-Apprenticeships in Three Key Trades, NCVER, 2007
\textsuperscript{185} Dumbrell, T & Schutz, E An examination of the effectiveness of the Australian Pre-apprenticeships model, The University of Sydney, 2009
\textsuperscript{186} Dumbrell, T & Smith, E Pre-Apprenticeships in Three Key Trades, NCVER, 2007
During the economic downturn the Australian government recognised the value of pre-apprenticeship training as an opportunity to engage School leavers who were at risk of not being able to find an employer with whom to commence an Australian Apprenticeship. The resulting Apprentice Kickstart: Increased Pre-Apprenticeships Training Opportunities initiative provided funding to the states and territories for additional pre-apprenticeship training courses leading to Australian Apprenticeship occupations in skill shortage, for which outcomes are not yet available.

The Australian Government does not have an ongoing investment in mainstream pre-apprenticeship training. However it does fund pre-vocational training for vulnerable job seekers who experience barriers to skilled employment to help them obtain and successfully participate in an apprenticeship or traineeship, or achieve a training or employment outcome through the Australian Apprenticeship Access Program. Government investment in mainstream pre-apprenticeship training may present an opportunity to improve Australian Apprenticeship completion rates, through assisting Australian Apprenticeship candidates to be better prepared.

**Recommendation 9:**

Increase national consistency in preparatory training by directing the National Quality Council to develop definitions for pre-apprenticeship and pre-vocational training.

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**Extend the reach of the system**

Prime Minister Julia Gillard, in her former role as Minister for Education, said\(^{187}\) that:

> to become a more dynamic, innovative and prosperous nation we need people with the skills, knowledge and ability that further education provides. In doing so, we have to draw upon the talents of people currently under represented in the system.

Equity is an important social justice issue. Equality of opportunity always has and always must be a central Australian value. It is also an economic issue. Without equity in the Australian Apprenticeships system, Australia simply cannot obtain the high level of skills needed to compete with the most successful economies of the world. Equity impacts national productivity and is a concern for all stakeholders because with a low unemployment rate there is a need to facilitate broad access to the system.

There are several groups that we feel need to be well supported and provided with a recognised vocational pathway into the labour market. Additional support would be provided through structured support services, such as mentoring and pastoral care, as outlined earlier. In addition, employers of disadvantaged apprentices and trainees would continue to receive current standard employer incentives. Additional assistance may be required by both apprentices and trainees and their employers to offset the higher costs associated with their participation in the workforce. The current suite of employer incentives could be used as a guide in developing arrangements for the provision of this assistance. The purpose of additional support is to assist these target groups to fully and effectively participate in the Australian Apprenticeships system. We believe that it would be important for the National VET Equity Advisory Council (NVEAC) to be consulted in the implementation of measures for equity groups.

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\(^{187}\) University Australia conference, keynote address, 3 March 2010 then Minister for Education Gillard
NCVER report that for Aboriginal and Torres Strait Islander peoples and people living in rural and remote areas, Australian Apprenticeships pathways are an important education pathway, with participation being in excess of population share. It found that:

- for Indigenous Australians commencements are 3.8 per cent and population share is 2.6 per cent. However, Indigenous Australian Apprentices are more likely to undertake lower level qualifications and are less likely to successfully complete an Australian Apprenticeship. In 2009–10, 55 per cent of Indigenous Australian Apprentices ceased participating in the Australian Apprenticeships system, compared to 40 per cent of non-Indigenous Australian Apprentices.
- for regional and remote participants the participation is 25 per cent and 16.8 per cent which is significantly higher than the relative population share which is 19.7 per cent and 11.7 per cent.  

In the case of people with disability, the raw numbers are not large. However, reporting is hampered by reluctance of participants to disclose this information if they thought it might affect the probability an employer would take them on – despite some specialised assistance being available. NCVER suggest that training through an Australian Apprenticeships pathway was nearly twice as effective in both achieving employment after training or being employed at a higher skill level when compared to training received outside an Australian Apprenticeship pathway.

NCVER found that the Australian Apprenticeships Incentives Program has generally been a success in assisting Indigenous Australians and people with disability into employment. In some cases, Government support for these and other target groups is higher than for standard Australian Apprenticeships and traineeships and offsets a much higher proportion of employers’ costs.

This is appropriate, as there are extra costs associated in addressing and overcoming the barriers faced by these Australians. The same NCVER research captures the constant message; that best practice and identified interventions have a positive impact on retention and completion rates and may include strategies such as smaller ratios between Australian Apprentices and mentors and a strong focus on completions as opposed to commencement targets.

The importance of foundation skills, representing adult language, literacy and numeracy are of major concern. There is considerable evidence from both domestic and international sources on the importance of these foundation skills for productivity and participation in the labour market. Poor foundation skills are a barrier to successful commencement and completion of an apprenticeship or traineeship. We believe attention needs to be given to the issue of foundation skills development, as they are a major concern for employers, for apprentices and trainees in reaching their potential, which all flows on to affecting the national productivity.

Further consideration of groups that require additional support to participate in the Australian Apprenticeships system including Australians with disability, Indigenous Australians and regional and remote apprentices and trainees and those with poor foundation skills is provided below.

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188 NCVER Report 4 The economics of apprenticeships and traineeships, 2010
189 NCVER Report 4, The economics of apprenticeships and traineeships, 2010
190 NCVER Report 4 The economics of apprenticeships and traineeships, 2010
191 NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010
Aboriginal and Torres Strait Islander peoples

It is important to note that COAG has already set clear targets to close the gap between Indigenous and non-Indigenous Australians, and in doing so has made a strong statement that this is to be a national priority. The COAG targets are to:

- halve the gap in employment outcomes between Indigenous and non-Indigenous Australians by 2018
- halve the gap for Indigenous Australian students in Year 12 attainment or equivalent attainment rates by 2020. This includes achievement of AQF Certificate II level traineeship qualifications.

To achieve the employment target, an additional 100 000 Indigenous Australians need to be in work by 2018. Two of the COAG performance indicators for the employment target are:

- the proportion of Indigenous Australians 18-24 year olds engaged in full-time employment, education or training at or above Certificate III
- the proportion of Indigenous Australians 20-64 year olds with or working towards post-School qualification in Certificate III, IV, Diploma and Advanced Diploma.

As at the 2006 census, half of the Indigenous Australian population was aged 21 years or less compared to the non-Indigenous age of 37 years. Therefore, ensuring sound transitions from School to work for Indigenous Australian young people is critical, particularly given the demographic profile which indicates that 139 000 young Indigenous Australians will be entering the workforce from 2008-2018.

Consistent feedback from employers is that Indigenous Australian young people and job seekers often do not have basic language, literacy, numeracy and work readiness skills required for modern workplaces. Employers also require assistance to develop and sustain culturally supportive workplaces to attract and retain Indigenous Australian workers.

Strategies such as provision of culturally appropriate pre-vocational and pre-apprenticeship training, together with additional post-placement support and mentoring over the duration of the training contract for both Australian Apprentices and supervisors, will improve commencement, retention and completion rates for Indigenous Australian apprentices and trainees.

COAG has developed service delivery principles for programs and services for Indigenous Australians which are included in the COAG National Indigenous Reform Agreement. NCVER have produced a report\(^{192}\) on these issues in which they recommend new measures to support participation and completion of Australian Apprenticeships by Indigenous Australians, including:

- setting targets for commencements and completions for Indigenous Australian
- Indigenous Australian specific incentives to employers and Australian Apprentices (including small to medium enterprises)
- improving access to foundation skills, language, literacy and numeracy and pre-vocational programs
- improving access to pre-apprenticeship training and work exposure prior to commencement
- provision of additional assistance (including through link to complementary programs such as the Indigenous Youth Mobility Program, the Indigenous Employment Program) to support relocation, travel to training, pastoral support, mentoring

\(^{192}\) NCVER, *Guide to success for organisations in achieving employment outcomes for Aboriginal and Torres Strait Islander people*, 2010
• marketing and promoting Australian Apprenticeships to Indigenous young people and unemployed Indigenous Australians
• ensuring that Australian Apprenticeship training is delivered in a culturally appropriate manner
• improving the cultural competence of Australian Apprenticeship service providers.

There is ample evidence and innovative strategies available and currently being utilised throughout Australia that could be considered best practice or worthy of support. For example the Queensland-based Northern Project Contracting is a wholly Indigenous Australian owned company providing contracting and training services for the mining and civil construction sectors. Of about 100 staff, more than 80 per cent are Indigenous Australians.

For these reasons, our recommendation includes directed and targeted support to assist Indigenous Australians in overcoming the added obstacles and combination of barriers that currently limit their success.

**Australians with a disability**

One of the difficulties in reviewing data on participants with a disability is the issue of disclosure. While the numbers in the table below\(^{193}\) are not large, there is no clarity of the corresponding population proportion. In employment, one of the difficulties is the assumption that few would disclose a disability if they thought it might affect the probability an employer would take them on, although special assistance is available (including funded workplace modification, access to the Disabled Australian Apprentice Wage Support and assistance for mentoring and tutorial support).

We acknowledge the difficulties faced by Australians with a disability and believe they should be given additional assistance to participate effectively in the Australian Apprenticeships system.

| Table 7: Apprentices and trainee commencements and completions, those reporting a disability |
|-------------------------------------------------|-----------------|-----------------|-----------------|
|                                                | Commencements   | Completions     |     |
|                                                | Number          | %               | Number | %   |
| 1 Managers                                      | 63              | 1.2             | 23     | 1.1 |
| 2 Professionals                                 | 59              | 1.5             | 26     | 1.0 |
| 3 Technicians and Trades Workers                | 1206            | 1.5             | 446    | 1.0 |
| 4 Community and Personal Service Workers        | 623             | 1.5             | 322    | 1.3 |
| 5 Clerical and Administrative Workers           | 707             | 1.3             | 359    | 1.2 |
| 6 Sales Workers                                 | 458             | 1.1             | 205    | 1.0 |
| 7 Machinery Operators and Drivers              | 428             | 1.7             | 242    | 1.4 |
| 8 Labourers                                     | 603             | 2.4             | 353    | 2.5 |
| Total                                           | 4147            | 1.5             | 1976   | 1.3 |

Notes: Figures for average annual commencements and completions 2007-2009

**Regional Australia**

The Australian Apprenticeships system plays an important role as a pathway in helping Australians living in regional areas to gain skills, occupational employment and often a career. There are significant national productivity gains to be achieved through recognising the additional challenges regional communities face and supporting them to participate effectively in education and training opportunities.

\(^{193}\) NCVER Report 4 *The economics of apprenticeships and traineeships*, 2010
Australian Apprenticeships provide a pathway for individuals to connect with local employment opportunities, including those that will arise from local business and Government infrastructure projects. It is important to ensure that individuals from regional communities are provided with the opportunity to benefit from the jobs created from infrastructure projects as well as those offered through large mining projects.

Those who live in regional areas and remote localities face additional barriers to their metropolitan counterparts, including barriers such as distance to training facilities, reduced choice of training provider and lack of work opportunities within their areas. Regional communities are also less likely to have larger company headquarters located within or near them, with businesses generally establishing their headquarters in larger urban and metropolitan centres.

However, apprenticeships and traineeships are still well represented despite these challenges as the following tables demonstrate.\(^{194}\) The current system should continue to support flexible training solutions tailored to participants from regional Australia, such as block training arrangements and web based training delivery which can be of great benefit for these Australian Apprentices and their employers.

### Table 8: Apprentice and trainee commencements by occupation and region, average 2007-2009

<table>
<thead>
<tr>
<th></th>
<th>Major cities</th>
<th>Inner Regional</th>
<th>Outer regional and Remote/ Very remote</th>
<th>Outside Australia and not known</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Managers</td>
<td>51.3</td>
<td>25.6</td>
<td>22.7</td>
<td>0.4</td>
<td>100.0</td>
</tr>
<tr>
<td>2 Professionals</td>
<td>71.0</td>
<td>20.1</td>
<td>8.6</td>
<td>0.3</td>
<td>100.0</td>
</tr>
<tr>
<td>3 Technicians and Trades Workers</td>
<td>55.0</td>
<td>25.9</td>
<td>18.9</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>4 Community and Personal Service Workers</td>
<td>62.6</td>
<td>23.1</td>
<td>14.1</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>5 Clerical and Administrative Workers</td>
<td>65.7</td>
<td>20.4</td>
<td>13.7</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>6 Sales Workers</td>
<td>60.9</td>
<td>24.6</td>
<td>14.3</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>7 Machinery Operators and Drivers</td>
<td>60.9</td>
<td>22.4</td>
<td>16.5</td>
<td>0.2</td>
<td>100.0</td>
</tr>
<tr>
<td>8 Labourers</td>
<td>45.2</td>
<td>29.0</td>
<td>25.5</td>
<td>0.3</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58.9</strong></td>
<td><strong>24.1</strong></td>
<td><strong>16.8</strong></td>
<td><strong>0.2</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

\(^{194}\) NCVER Report 4 *The economics of apprenticeships and traineeships*, 2010
NCVER used Australian Bureau of Statistics (ABS) Census data\(^{195}\) to calculate the relative percentages of population in the Major Cities, Inner Regional and Outer Regional and Remote/Very Remote categories, finding the shares to be 68.6 per cent, 19.7 per cent and 11.7 per cent respectively. Comparing these rates to the distribution of commencements in Table 8 shows that Australian Apprenticeships are extremely important to regional and remote areas. This is also borne out by the ratio of completions to commencements, which shows that the completion rates are lower than average in the major cities, presumably because the cities have more alternative work opportunities.

We agree that to ensure regional communities are viable and have the capacity to grow it is important that Australian Governments provide assistance to encourage individuals to take-up opportunities that will allow them to remain in their community. Apprenticeships and traineeships provide sound careers prospects for individuals to remain in the community while they train and solid employment prospects once they become qualified. We support the provision of additional support to employers, apprentices and trainees in regional Australia to enable them to engage and be part of the Australian Apprenticeships system. Through a more strategic focus and targeted assistance, the Australian Apprenticeships system has the potential to deliver important and rewarding career opportunities to Australians in regional communities.

We believe that increased participation by people with a disability, Indigenous Australians and those in regional Australia in the Australian Apprenticeships system will lead to increased productivity outcomes. However, these groups face increased barriers to participation in the system. To support apprentices, trainees and their employers to overcome these barriers, we recommend that the Australian Government maintain the current standard employer incentives. Employers of participants who identify as belonging to these target groups will also have access to tailored structured support services under the new arrangements.

**Foundation Skills**

Foundation skills (such as English language, literacy and numeracy) are increasingly being recognised as underpinning the current and future productivity of Australian businesses. Skills Australia\(^{196}\) points out that:

> Adult language, literacy and numeracy skills are recognised as fundamental to improved workforce participation, productivity and social inclusion. Local and international studies have consistently demonstrated the correlation between high levels of language, literacy and numeracy and positive outcomes at the national, enterprise and individual levels.

However, there is concern about the current level of foundation skills in adult Australians. The 2006 Adult Literacy and Life Skills Survey (ALLS)\(^{197}\) found that:

- Approximately 6 million (43.6 per cent) of working age Australians (aged 15-64) did not have the literacy skills necessary to meet the complex demands of work and life in modern economies
- Approximately 6.8 million (49.8 per cent) of working age Australians did not have the numeracy skills necessary.

Employers have been reporting for some time that poor literacy and numeracy skills are a significant determinant of the suitability of applicants for positions, including apprenticeship and traineeship positions. A recent survey of employers by AiG\(^{198}\) helps quantify this problem, finding that 75 per cent of employers reported that their business was affected by low levels of literacy and numeracy both in their current and prospective workforce.

There is considerable evidence from both domestic and international sources on the importance of foundation skills for productivity and participation in the labour market. An analysis of literacy in 14 OECD countries found that increasing investment in the literacy skills of adults has a direct and positive impact on labour productivity and in GDP per capita. It highlighted that the greatest impact was gained by investing in improving the skills at the lower levels.\(^{199}\) The Productivity Commission\(^{200}\) found that increasing the literacy and numeracy skills of adult Australians with very poor skills to the level required to complete a Certificate III would:

- increase the likelihood of labour force participation by about 15 per cent for women and about 5 per cent for men
- increase hourly wage rates by 25 per cent for women and 30 per cent for men.

This is significant given that 73 per cent of those currently in-training in an apprenticeship or traineeship are at the Certificate III level.\(^{201}\)

This issue is of significance for the supply of skilled workers into the modern economy. The urgency to address this issue has gained momentum, with the Australian Government investing approximately $490 million over the next four years on initiatives to improve language, literacy and numeracy skills. This investment will underpin the overarching National Foundation Skills Strategy for adults, which is being developed with state and territory governments and other stakeholders.

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\(^{196}\) Skills Australia, *Australian Workforce Futures: A National Workforce Development Strategy*, 2010

\(^{197}\) Australian Bureau of Statistics, *Adult Literacy and Life Skills Survey, Cat no 4228.0 (2006 reissue)* 2008


\(^{199}\) Coulombe, S; Tremblay, J & Marchand, S *Literacy scores, human capital and growth across fourteen OECD countries*, Statistics Canada, 2004


\(^{201}\) NCVER, *Apprentices and Trainees: Australian Education and Training Statistics*, June Quarter 2010
Poor foundation skills are a barrier to successful commencement and completion of an apprenticeship or traineeship. We support the increased focus on foundation skills including through the additional resources allocated by the Australian Government in the 2010-11 Budget. Support is currently provided through programs, such as: the Language, Literacy, Numeracy Program; Workplace Language and Literacy Program; Access Program and Adult Migrant English Program. We believe tailored structured support services could be used to assist in addressing these challenges; not through the duplication of services but by accessing and harnessing this support for apprentices and trainees.

**Recommendation 10:**

Provide additional support for apprentices and trainees who face specific challenges, such as:
- Indigenous Australians
- disability
- located in regional or remote Australia
- having poor language, literacy and numeracy skills.

Australian Government support will be provided to these apprentices, trainees and their employers to assist in overcoming barriers to participation and completion of their apprenticeship or traineeship. Support will be through the provision of tailored structured support services and the continuation of some current Australian Government employer incentives.
Re-establish the status of the Australian Apprenticeships system

We have identified that the status of the Australian Apprenticeships system should be improved. Australian Apprenticeships, especially the traditional trades are often described in negative terms. For example, they are seen as physically demanding, unsafe, dirty and are considered poorly paid. Australian Apprentices are often viewed as being from a lower socio-economic background, not having the capabilities to enter university. The NSW Business Chamber describes that in relation to Australian School-based Apprenticeships (ASbA) for example, recruitment is sometimes inhibited by parents outdated perceptions that apprenticeships and traineeships are dirty jobs suitable only for students having difficulties at School. Overall, Australian Apprenticeships are generally not a highly valued career pathway, with broader community perceptions of Australian Apprenticeship qualifications having less value than higher education qualifications. 

It is the case that an Australian Apprenticeship provides those who complete with a unique and valuable combination of skills, employment experience and a formal qualification. This leads many Australian Apprentices to diverse and financially rewarding careers. It is important to highlight that an Australian Apprenticeship provides scope for career development and depth within a trade or non-trade occupation.

The positives of undertaking an apprenticeship or traineeship are not portrayed effectively to the broader community, especially in the School system where there is the opportunity to promote apprenticeships and traineeships as a valued career path. Evidence suggests that apprenticeships and traineeships are perceived negatively by career advisors and teachers who tend to suggest them as a career option for low achieving students. In addition, there appears to be no effective strategies to encourage males and females to undertake apprenticeships and traineeships in non-traditional occupations, such as, males in aged care and child care, woman in the traditional trades. These are areas that we believe need to be addressed in order to increase participation in the Australian Apprenticeships system. The National Custodian when established may progress strategies to address this issue.

We believe the decision in 1998 to bring apprenticeships and traineeship together under the umbrella term ‘Australian Apprenticeship’ has created confusion about what an Australian Apprenticeship is in the market place. Part of this confusion has come about because information on Australian Apprenticeships is produced by various organisations with disparate roles. Also, each jurisdiction determines which qualifications are offered via an apprenticeship or traineeship pathway, creating added complexity in branding an Australian Apprenticeships system. Those qualifications determined to be apprenticeships or traineeships may vary between jurisdictions.

International reviews of the branding of apprenticeship systems shows that there is no consistent meaning for the term apprenticeship. Australian and international perspectives highlight the different emphasis placed on constructs of both work and education, which have strongly influenced how skills formation has developed over time and how the apprenticeships brand has consequently developed. For example, studies in the United Kingdom found an apprenticeship is now a label rather than a course or a qualification, and the term has a lack of clear purpose. Keating found that the high degree of diversity of approaches used by countries to best align their VET sector with skills needs and shortages is not conducive to a general conclusion regarding the apprenticeships brand.

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203 NSW Business Chamber, Workforce Development, Encouraging Apprenticeships Uptake
204 NSW Business Chamber, Workforce Development, Encouraging Apprenticeships Uptake
206 Keating, J. NCVER, Matching supply and demand for skills: International supply and demand, 2008
Leverage to influence change in the Australian Apprenticeship market has been limited by the large number of stakeholders and the complexity of the administrative, funding and training arrangements of the system. For there to be a successful and broad-ranging change in the Australian Apprenticeships system, it is important that time is taken to implement policies that will underpin systemic change.

Our recommendations aim to re-establish the status of apprenticeships and traineeships as a valued career pathway. For this reason, it is important to prevent misunderstanding in communicating these changes, by implementing a suitable marketing strategy. This need was previously identified by the COAG Apprenticeships Taskforce and a recommendation agreed by COAG is to develop a nationally consistent and targeted communication strategy.

We believe that through raising the status of apprenticeships and traineeships, we will support the sustainability of the system by attracting participants who would otherwise have chosen an alternative educational or employment pathway. This will also increase the pool of suitable prospective apprentices and trainees. Raising the status of apprenticeships and traineeships as a valued career path will also assist in addressing the current gender imbalance in a number of occupations, by providing increased opportunities for participation. For example, encouraging females to enter traditionally male dominated industries, such as electrical and construction and males to enter industries such as health, child and aged care services. Despite a number of initiatives undertaken by governments and industries, such as the Queensland government Women in Hard Hats\(^{207}\) and Group Training Australia’s Gender on the Agenda\(^{208}\), very little progress has been made. We believe more needs to be done in this area.

Enhancing the status of the Australian Apprenticeships system will only be achieved through the development of a cohesive long-term strategy involving Australian, state and territory governments, industry bodies and unions, working together. When established the National Custodian would be well placed to under-take the role of leading strategies to promote the Australian Apprenticeships system.

**Recommendation 11:**

Implement a strategy to raise the status of apprenticeships and traineeships including promotion as a valued career choice for both males and females. This should be led by the Australian Government, in consultation with state and territory governments, industry bodies and unions. The National Custodian, when established will lead the ongoing effort to raise the status of apprentices and trainees.


\(^{208}\) Group Training Australia, 2004, Gender on the Agenda.
4. Interaction with modern awards and workplace relations legislation

Wages
The Australian Apprenticeships system combines employment and training and therefore involves two regulatory systems: the training system and the Workplace Relations system. Although apprentices and trainees are both covered under the umbrella of the Australian Apprenticeships system, they are treated quite differently concerning wages. Fair Work Australia (FWA) has responsibility for setting minimum wages for employees to whom training arrangements apply, including apprentices and trainees. Modern awards provide a safety net of employment terms and conditions, and also generally reflect the terms and conditions of employment of the federal and state awards from which they are derived. As existing state and federal awards generally treated minimum wage rates for apprentices and trainees separately, these differences have largely carried over into the modern award system.

Minimum wage rates for trainees, including part-time trainee wage rates, are generally set by the National Training Wage (NTW) schedule. The NTW schedule is derived from the National Training Wage Award 1994 and is included in 95 of 122 modern awards.

Under the NTW schedule training packages are allocated to either wage level A, B or C depending on the nature of the qualification. Upon commencement of employment, trainees are entitled to different wage rates according to the highest level of School they have completed and the number of years since they left School. The NTW also provides that a trainee must be paid for time taken to attend any training or assessment associated with their training contract.

In general, wage structures for apprentices incorporate wage scales that express minimum wages as a percentage of the basic rate for a qualified tradesperson (although this percentage varies between awards). Under a typical four year apprenticeship wage model the rate of pay for an apprentice increases after each year of service. Apprenticeship wage structures vary across industries and occupations, and accordingly minimum wage rates for apprentices vary across modern awards. It should be remembered that many apprentices are paid above award rates.209 As of August 2008, only 16.5 per cent of employees overall had their pay set by awards, compared with 39.2 per cent who had their pay set by registered collective agreements. While agreements typically set wage rates above the minimum, and usually allow for better pay and conditions, it is still up to the parties to negotiate on provisions, including, for example, competency-based wage progression.

209 NCVER, Report 3 The apprenticeship and traineeship system’s relations with the regulatory environment, 2010.
NCVER conducted an analysis of the provisions relating to apprentices and trainees in all 122 modern awards. The research found:

- minimum wage rates for trainees contained in the NTW Schedules range from 45 per cent to 91 per cent of the national minimum wage, depending on factors such as the highest level of Schooling, years since left School and the qualification being undertaken
- few modern awards facilitate competency-based wage progression, instead linking wage progression to time-served
- wage rates for first year trade apprentices (as a ratio of the relevant trade rate) vary from 37.5 per cent to 58 per cent
- the relativity for a fourth year apprentice ranges from 82 per cent to 95 per cent of the relevant tradesperson rate.

Historically, apprentices are paid below the minimum wage, particularly in the early stages of their training, by way of compensation to the employer for both their lower productivity in the early years of the apprenticeship and the need for the employer to allocate resources to their training. However, over time the profile of apprentices has changed with most now completing year 12. The average starting age has long ceased to be 14 or 15 and is now 17 or 18, with many apprentices also starting as mature-aged apprentices. The low level of pay extends the period of dependence for young people on parents and family, at a time when many of their peers are entering the unskilled workforce and earning considerably more on junior wages. This has led to apprenticeships being perceived as an unattractive proposition for many young people leaving School and seeking employment.

The changing demographics of apprentices raise a number of issues in terms of minimum wages.

Firstly, many first year apprentices have now completed Year 12 and in many cases have also been in the outside-of-school-hours workforce for several years. Apprentices in this category therefore are better educated and more productive than a person who left school in Year 9 and pursued an apprenticeship as a first job. Yet in many modern awards, all of these apprentices, including those who have completed Year 12 and have one year of full time work experience combined with several years in the after-school-hours workforce, are paid the same first year wage. In the construction industry, this is currently 45 per cent of the full time tradespersons rate of $663.60 per week (i.e. $298.62 per week).

Secondly, consideration must be given to the level to which a first year apprentice is less productive than an unskilled labourer in the workplace. An unskilled labourer in any workplace is entitled to at least the National Minimum Wage which is currently $569.90 per week. This then raises the question of whether the first year apprentice of today is approximately half as productive in the workplace as an unskilled labourer in receipt of the minimum wage. This is an issue which should be considered by FWA.

FWA is currently considering holding a broad review of wages and conditions for apprentices and trainees. We support the idea of a review by FWA which we see as an opportunity to identify some of the areas in which modern awards could be improved to be more supportive of the system. A separate recommendation supporting the FWA review is mentioned at the end of this chapter.

**Wage rates and their effect on commencements and completions**

There is a range of evidence concerning the link between wage rates and Australian Apprentice commencements and completions, which results in a range of differing viewpoints. NCVER research suggests that work related factors are the most common reasons given by apprentices and trainees for

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210 NCVER, Report 3 *The apprenticeship and traineeship system’s relationships with the regulatory environment*, 2010.
not completing their Australian Apprenticeships. The research also suggests that, while modern award rates often fall below the Henderson poverty line, above award rates are common, at least in trade apprenticeships. The report says:212

We find that above award payments are most common in trade occupations with strong demand and high levels of collective bargaining by employers – electrical and engineering and automotive. Where there are higher rates of award dependence by employees, as in the food trades and hairdressing, we find that wages are closer to the award rates. We also find that many trainees receive above-award rates. New workers, particularly younger trainees, are more likely to receive close to the relevant award rates.

A 2008 report for the NSW Office of Industrial Relations released by the Workplace Research Centre identified a number of workplace related reasons for non-completion of apprenticeships and traineeships, in addition to low wages.213 These included issues related to inadequate support for training, lack of overtime pay and workplace bullying and sexual harassment. Other evidence suggests wage rates have a greater influence on the decision of individuals to commence an Australian Apprenticeship. To emphasise the link between low wages and commencements, the Workplace Research Centre report noted:214

Apprenticeship and traineeship wages are widely known to be low and this is acting as a barrier to attracting new entrants into training. In a survey of apprentices, nearly half (49 per cent) said they would not recommend an apprenticeship to friends or relatives because of the low level of pay. Nearly one in ten students reported that their key reason for not planning to pursue an apprenticeship was the inadequate pay.

In addition, a report completed in 2007 for Group Training Australia found that many Australian Apprentices are living below the poverty line, particularly in the early years of their Australian Apprenticeship. The study shows that from a sample of six representative occupations, in all cases awards for minimum pay for first year apprentices are below the Henderson Poverty Line. The report also noted that after taking into account the value of cash and non-cash benefits, the first year apprentice standard of living is barely above that of the unemployed. Only recipients of Austudy are considered to be worse off.215

A survey of union delegates and apprentices was conducted by the Australian Manufacturing Workers Union in 2010. This survey showed that over 90 per cent of both delegates and apprentices believed apprentice pay was a key concern with 26.3 per cent of delegates and 36.6 per cent of apprentices stating that the issue of low wages was a top priority.216 In addition, a survey conducted for the South Australian Manufacturing Industry Skills Advisory Council (MISAC) indicates a lack of encouragement, communication and information at school level was identified as a key barrier to apprenticeship commencements, while the wage structure and costs associated with training were identified as obstacles to completions.217

212 NCVER Report 3, *The apprenticeship and traineeship system’s relations with the regulatory environment*. 2010. Note the report uses ABS 2009 data which precedes modern awards.
The MISAC shows that in 2008 30 per cent of Australian Apprentices surveyed were somewhat dissatisfied with their wages, while 25 per cent of respondents said they were extremely dissatisfied. When respondents were asked to rate the importance of various factors related to their satisfaction with their Australian Apprenticeships, wages was rated the second most important element (behind quality of training), suggesting it is a significant disincentive to commencing an Australian Apprenticeship.\(^\text{218}\)

There is also a belief that some apprentices accept lower wages in the anticipation of a wage premium on completion of their training. The NCVER research quotes Karmel and Mlotkowski (2010) on the impact of wages on the probability of completion and found that:

> The gap between the training wage and the wage in alternative employment and the wage on completion have a limited effect on completion. For apprentices it is the premium attached to completion that matters. This suggests the pay of apprentices is not the issue that many make it – at least in terms of completion rates. However, it could still be the case that the number of applicants for an apprenticeship will be affected by apprenticeship wage rates.\(^\text{219}\)

While acknowledging the range of evidence concerning wages levels and the perceived link with completions of apprenticeships and traineeships, we believe the relationship between wage levels and completion and commencement rates needs to be further examined. More thought needs to be given to the extent that the remuneration for apprentices and trainees is still seen as a training wage, in contrast with recognition that the cohort of Australian Apprentices is changing to include higher numbers of adults and others with additional qualifications and experience before they enter an Australian Apprenticeship.

**Inconsistencies in modern awards**

In the case of the majority of trainees, most modern awards reference the NTW schedule, which adopts a generally consistent approach to matters such as part-time arrangements and payments for off-the-job training.

Modern awards include specific provisions outlining conditions of employment for apprentices, which mostly pre-date modern awards and have developed over time. Many modern awards contain inconsistent approaches to some issues effecting apprentices. These include:

**Part-time apprentices**

The incidence of part-time provisions for apprentices in modern awards is minimal. Where they do exist, part-time apprentices are usually paid the same hourly rate as for full-time junior or adult apprentices.

**Apprentice ratios**

Some modern awards specify supervisor to apprentice ratios. Three states also prescribe a default 1:1 supervisor to apprentice ratio (Queensland, Western Australia and the Northern Territory). In addition, South Australia prescribes a ratio of 1:5 as a default, if no ratio is prescribed in the relevant award.

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\(^{218}\) The 2008 South Australian Apprenticeship Survey Summary Report, Manufacturing Industry Skills Advisory Council SA inc, 2008

\(^{219}\) NCVER, Report 3 The apprenticeship and traineeship system’s relationships with the regulatory environment, 2010
Adult apprentices
Only a small number of modern awards include provisions for adult apprentices. Those awards that include a provision for apprentices 21 years or over generally include a percentage of the trade rate fixed at a higher rate than the traditional junior rate. The percentage rate varies from award to award. In some cases this rate has been set as a monetary amount, rather than as a percentage.

Payment for off-the-job training
Some modern awards do not explicitly include a provision specifying payment while an apprentice is carrying out off-the-job training.

Recognition of pre-apprenticeship training
There is considerable variation between modern awards regarding the extent that pre-apprenticeship training is recognised in modern awards in determining wage rates for apprentices.

Allowances
There are inconsistencies between modern awards on the payment of allowances. For example, in cases where a qualified tradesperson is eligible for a tool or industry allowance, some awards are unclear as to whether an apprentice is eligible for the allowance and, if so, the appropriate method to calculate the allowance.

The following table illustrates the variation between modern awards on the payment of tool allowances for apprentices.220

<table>
<thead>
<tr>
<th>Tool allowance summary</th>
<th>No</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Flat rate</td>
<td>13</td>
<td>15.3 (a) Where the employer requires a tradesperson or an apprentice tradesperson to supply and maintain tools ordinarily required by the employee in the performance of their duties as a tradesperson, the employee will be paid an additional weekly amount of $18.25. (Local Government Industry Award)</td>
</tr>
<tr>
<td>Proportion based on stage of apprentice stage</td>
<td>5</td>
<td>20.20 (a) A tradesperson will be paid an allowance of $14.69 per week for supplying and maintaining tools ordinarily required in the performance of the employee’s work as a tradesperson. The allowance will be paid for all purposes of the award. (b) This allowance will apply to apprentices on the same percentage basis as set out in clause 16—Apprentice minimum wages. (Airline Operations - Ground Staff Award)</td>
</tr>
<tr>
<td>Tool allowance payable to trades classifications</td>
<td>12</td>
<td>21.1 (b) Where a cook is required to use their own tools, the employer must pay an allowance of $1.55 per day or part thereof up to a maximum of $7.60 per week. (Hospitality Industry (General) Award)</td>
</tr>
<tr>
<td>No tool allowance payable - reimbursement of tools</td>
<td>3</td>
<td>15.4 An employee will be reimbursed the demonstrated cost of purchase for all tools of trade required in the performance of the employee’s duties. The provisions of this clause will not apply where the employer provides such tools of trade. (Dry Cleaning and Laundry Industry Award)</td>
</tr>
<tr>
<td>No tool allowance payable</td>
<td>12</td>
<td></td>
</tr>
</tbody>
</table>

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220 NCVER, Report 3 The apprenticeship and traineeship system’s relationships with the regulatory environment, 2010
**Competency-based progression**

We believe there are several advantages to a competency-based training progression (CBTP) system. These include:

For the apprentice or trainee:
- achieving a qualification in a shorter time frame
- allowing experienced individuals who are not formally qualified to gain formal qualifications that are nationally recognised
- attracting more mature workers to an apprenticeship or traineeship due to the potential for a shorter training period and reduced opportunity costs to themselves and their families
- increasing application of Recognition of Prior Learning (RPL) and Recognition of Current Competencies (RCC) that can allow for earlier completion of training
- support for apprentices or trainees who need additional time to attain competency.

For the employer:
- increasing the pool of qualified tradespersons
- increasing the focus on on-the-job training with associated productivity benefits for the business
- introducing the potential for more flexible forms of training partnerships and cooperation between employers and RTOs
- increasing productivity of employees, who would be better trained, qualified more quickly and better paid.

As noted elsewhere in this report, recent years have seen an increase in individuals over the age of 21 entering into apprenticeships and traineeships. There has been a particular increase in mature workers (over 25) choosing to enter the system. Such workers often bring with them increased work experience and qualifications. We believe the current training system is not effectively recognising this. The flexible nature of competency-based-training-progression allows for RPL and existing competencies to be utilised much more effectively.

In February 2006, COAG agreed to measures to improve the uptake of RPL. This included an agreement by the Australian Government and the states and territories to implement a RPL Program to provide streamlined and simplified processes for RPL and to build up the vocational education and training system’s capacity to deliver quality RPL. Although some industry sectors have taken up strategies for broad implementation of assessing RPL and existing competencies, this is not universal. In a 2008 report on Australian Apprenticeship training, the Housing Industry Association noted:

> Feedback from employers and Australian Apprentices consulted suggest a low level of awareness of the opportunity for recognition of existing–worker competence and in relation to re-entry of Australian Apprentices... resources to support RPL processes have traditionally been an issue, and this appears to continue to be the case.²²¹

States and territories all have existing legislation which enables CBTP for apprentices and trainees. The Commonwealth and the states/territories have formalised support for CBTP through decisions reached by COAG. Despite this, CBTP has not been widely adopted. We believe a major reason for this is resistance by trainers to embrace competency-based methodologies of workplace evidence gathering and workplace assessment, and a prevailing culture of resistance to current training practices by many employers. In a discussion paper for the Australian Apprentices Taskforce in July 2009, AIG noted:

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This arrangement (competency-based progression) is still not well understood by employers and RTOs. It would be appropriate to provide professional development and training activities to increase understanding of this notion... It is increasingly apparent that funding models, audit and compliance regimes often mitigate against the flexibility required for a genuinely competency-based progression model.222

As Figure 3223 shows, in 2009 the proportion of apprentices or trainees in trade occupations completing their training in less than three years has not changed significantly in the last five to six years. This is despite initiatives by COAG to promote competency based training.

**Figure 3: Apprentice and trainee completions in trade occupations by duration of training**

![Graph showing apprentice and trainee completions by duration of training](image)

Notes: Certificate III or above, 1999-2009 (%)

We believe barriers to the wider acceptance of CBTP include:

- concern that faster completion may compromise the quality of the training and the skills acquired
- licensing and regulatory arrangements for trade qualifications that do not accommodate competency-based progression
- industry and employer attitude and resistance to change
- inflexibilities of training packages
- occupational health and safety requirements particularly in licensed trades.

**Competency-based wage progression**

We are aware that most modern awards do not widely adopt provisions which facilitate competency-based wage progression (CBWP). In 2006 the decision by COAG led to the removal of references to fixed durations of apprenticeships and traineeships from relevant legislation which prevented CBWP.

It was further agreed at the COAG meeting in December 2009 that governments would facilitate arrangements for the effective implementation of CBWP for Australian Apprentices. Despite the COAG agreement, most modern awards make no reference to CBWP. As NCVER has pointed out:

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223 NCVER Report 2, *Overview of apprenticeship and traineeship institutional structures*, 2010
the ability of Australian Apprentices to advance to a higher wage level constitutes a significant incentive to achieve competencies at a faster rate. However, award provisions governing the vast majority of Australian Apprenticeships continue to base wage progression during the Australian Apprenticeship on duration of service, not achievement of competencies.\textsuperscript{224}

It is important that modern awards are carefully examined by FWA in their proposed review of apprentice and trainee wages and conditions. Modern awards and workplace instruments need to be looked at to see if adjustments are necessary to address issues such as:

- the process for signing off an Australian Apprentice prior to the nominal completion date
- the process for assessing and determining the Australian Apprentice’s competency
- any issues associated with state or territory arrangements and requirements for training arrangements and their interaction with modern awards or other industrial instruments which may be hampering the introduction of CBWP.

As well as the proposed FWA review, we believe it is important for stakeholders to make genuine efforts to address real cultural change, and acknowledge the real benefits that can be derived from the widespread introduction of competency-based progression into the Australian Apprenticeships system. We acknowledge that, while Australian Government may promote competency-based training progression, in reality, it requires an effective relationship between training providers to interact with employers and engage them in CBTP. We think there are measures that industry and training providers could adopt to promote CBTP. All qualified training institutions should be encouraged to implement national competency based assessment tools that can be adapted for individual industry sectors.

In this context, we welcome the 2010–11 budget measures introduced by the Australian Government. This includes funding of $19.9 million over four years to support the Smarter Apprenticeships Program, which is providing industry with the means to adopt and foster support for accelerated training delivery and drive structural change to industry training delivery to embed competency-based training for Australian Apprentices. We support this initiative, which also aims to tackle cultural and attitudinal change in their industries to demonstrate that accelerated training does not compromise training quality.

As part of the budget measures, we also support the initiative to engage industrial relations experts to identify barriers and solutions to ensure the consistency between competency-based training arrangements supported through industry and employment conditions, wages and awards. This is useful and will complement the proposed FWA review.

We believe it is now time for employers, unions and training providers who have a stake in the system to step up and grasp this important initiative. We have considered recommending measurable targets for CBTP that could be implemented by stakeholders. However, we believe the benefits of competency-based progression are such that we can see no reason why all Australian Apprenticeship training should not be based on CBTP, as a universal standard applied throughout the system.

**Recommendation 12:**

Promote a culture of competency based progression in apprenticeships and traineeships, in partnership with industry bodies and employers. Additionally, a greater acceptance and achievement of competency-based wage and training progression should be supported by all stakeholders.

\textsuperscript{224} NCVER, Report 3 The apprenticeship and traineeship system’s relationships with the regulatory environment, 2010
**Recommendation 13:**

Improve the implementation of Recognition of Prior Learning and Recognition of Current Competence and support provisions for such recognition in modern awards to ensure that flexibility and mobility are supported.

**Certificate III – C10 nexus**

As mentioned above, in modern awards, minimum wage rates for trade apprentices are expressed as a percentage of the basic wage rate for a qualified tradesperson. Modern awards generally include the same wage rate for a qualified tradesperson (currently $663.60), which has historically been derived from the C10 classification in the Manufacturing and Associated Industries and Occupations Award 2010 and its predecessors, going back to the Metal Industry Award 1984.

The award restructuring process of the 1980’s broke down the existing demarcations and trade workers were more closely defined by both the work they performed and the qualifications they needed in order to do the work. The wages setting and qualifications systems fused and as a result a central feature of the C10 wage classification became the completion of a Certificate III qualification.

Over time, significant anomalies have developed as to the nature of Certificate III qualifications in contrasting sectors such as retail, aged care and engineering. The Workplace Research Centre analysis for the Australian Qualifications Framework Council (2010) notes that a Certificate III may be achieved in as low as 6 weeks while many Certificate III qualifications in the trades areas typically take three to four years to complete. This raises questions about the possible role of subsidies in creating questions over the appropriateness of some Certificate III qualifications. The Workplace Research Centre has said:

> It is not unreasonable to ask whether the proliferation of Certificate IIIIs may have more to do with employer interest in subsidies than with deepening the skill base of their workforce.\(^{226}\)

We believe that there is a problem with the Certificate III – C10 nexus as illustrated by the Workplace Research Centre and by the views expressed by stakeholders of the system. Our recommendations concerning changes to the existing Australian Apprenticeships pathway and to the incentives regime as described above would help to address these issues. There is also a significant problem with the Australian Apprenticeships brand being devalued over time by significant inconsistencies given that the integrity of alignments between qualifications and classification levels has broken down.

As detailed above, we support the move to competency-based training progression in the Australian Apprenticeships system. However, while we see competency-based progression as important in moving away from an undue focus on the duration of an individual Australian Apprenticeship, this is not inconsistent with the need to address disparities in the alignment of appropriate qualifications and classification levels. We support the process to strengthen the Australian Qualification Framework (AQF). The review carried out by the Australian Qualifications Framework Council should help to ensure qualifications are of an appropriate standard, are more nationally consistent and that pathways will be improved between education and the workplace, including into the Australian Apprenticeships system.

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While acknowledging the value of the AQF process, we note that there are examples where alignments between classification levels and wage relativities have been successfully adjusted within the workplace relations system. The Workplace Research Centre paper provides the example of Childcare workers in NSW. In this case the NSW Industrial Relations Commission broke the nexus with the C10 and instead aligned child care workers on State awards with the teaching profession (two year qualified education workers in NSW). As the research paper says:

Industrial relations is all about compromise and ongoing re-negotiation of the connections between hours worked, skills recognised and pay rates...The status of the Certificate III can be defined without necessarily destabilising the wages system – it all depends on how this is implemented.227

Breaking the existing nexus between the Certificate III level and C10 is likely to create issues due to the potentially significant change in wage rates for many Australian Apprentices. Despite this, we see wage rates as a significant factor affecting the current status of Australian Apprenticeships. We believe it is vital that this area be revisited to ensure Australian Apprentices are paid an appropriate wage while ensuring the position and status of the Australian Apprenticeships system, particularly trade apprenticeships. This issue will need to be carefully considered by industrial parties – including unions, employers and regulators.

**Fair Work Australia review**

Fair Work Australia (FWA) has initiated a process to consider whether there is a need for it to conduct a broad review of wages and conditions of employment for apprentices and trainees in modern awards. FWA has yet to indicate whether it will conduct the proposed broad review and, if so, the likely timing and scope of the review.

We support FWA proceeding with the proposed broad review of apprenticeship and traineeship wages and conditions. On 27 August 2010 we made a submission to FWA in which we:

- strongly supported the proposed broad review of wages and conditions for apprentices and trainees
- acknowledged that the interaction between the Australian Apprenticeship system and the workplace relations system includes potential issues that can impact on the effectiveness of skills development
- suggested that our report inform the proposed review.

As noted already, we have highlighted the problem of over reliance on the Certificate III – C10 nexus. In conducting its review, we suggest that FWA consider additional reference points for setting fair and sustainable relativities for those receiving apprentice and trainees rates of pay.

We believe the reform options we are providing to the Australian Government in this report are valuable in informing FWA on a range of issues relevant to the proposed review. These issues include inconsistencies which currently exist in modern awards which are outlined above. In addition we include a recommendation in this report that FWA should reduce barriers to competency based progression in modern awards.

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Recommendation 14:

Support a review of apprenticeship and traineeship provisions, wages and conditions by Fair Work Australia, considering:

- the removal of barriers to competency based wage progression in modern awards
- apprentice and trainee award pay compared to going rates of pay
- age, diversity and circumstances of commencing apprentices and trainees
- allowances (travel, tools, clothing, course fees)
- cost to apprentices and trainees of participation in an Australian Apprenticeship
- part-time and school-based arrangements
- recognition of pre-apprenticeship and pre-vocational programs
- supervision ratios for apprentices and trainees.
Appendix A: Terms of reference

Terms of Reference

Apprenticeships for the 21st Century
The Economic Benefits of the Australian Apprenticeships System

Context

The Department of Education, Employment and Workplace Relations (DEEWR) and the Department of the Treasury (Treasury) have been asked by Government to bring forward options to sustain and grow the unique Australian Apprenticeships system. This work will take account of the COAG Australian Apprentices Taskforce findings and possible reprioritisation of incentives paid under the Australian Apprenticeships Incentives Program.

The reform options presented will be developed with reference to the economic benefits of the Australian Apprenticeships system and the review of apprenticeship and training arrangements contained in modern awards foreshadowed by Fair Work Australia (FWA) to be conducted in the course of 2010. Further contextual information is attached.

Purpose

The examination of the Economic Benefits of the Australian Apprenticeships system would take into account the unique characteristics of the system that see an overlap between the training system and the employment system, not usually seen in other forms of skills acquisition.

This work will feed into the Government’s broader policy directions regarding the fundamental policy settings needed to underpin the tertiary sector, to ensure productivity of the Australian economy into the future. To assist the Government in considering these issues a panel of external experts will be appointed, reporting to the Australian government by January 2011.

The panel’s work will inform Government medium and long-term actions to support the policy objectives of addressing entrenched and anticipated skill shortages in the economy; completion of training; and improved agility of the apprenticeship model to meet the challenges of a global economy. The panel’s work will be developed in light of the tight fiscal environment and the need to provide cost neutral options to Government.

The panel will investigate:

1. An economic comparison of the current apprenticeships model of skills formation to other forms of education and training and other models of delivery and support from international experience. The panel should consider issues such as:
   • Contribution of apprenticeship training and outcomes to the Australian economy
   • Financing of education and training costs in this market
   • Completion rates across different education models and factors influencing completion rates
   • Duration and quality of the training including mechanisms for the delivery of training (on-the-job; off-the-job; mixed; flexibility of training).
2. The economic sustainability of the current Australian Apprenticeships model. The panel should consider issues such as:
   - The scope for reform of apprenticeships incentives to support the improvement of skills formation and participation in both the supply and demand sides of the market
   - Regulatory and other constraints on the economically-efficient operation of the Australian Apprenticeships system.

3. The interaction of the apprenticeships system with the economic cycle. The panel may consider if the current structural settings best protect the Australian economy from compounding skill shortages resulting from these cyclical changes in the economy.

4. The accrual of economic costs and benefits in the apprenticeships system to apprentices, employers/industry, Government and the broader economy, including:
   - Apprentice wages (including on-costs), supervision and training costs, materials wastage, administration and extra maintenance, productivity and output produced, the length of the apprenticeship and the value of government and non-government subsidies
   - The economic benefits of the skills formation of the apprenticeships to apprentices; employer/industry and Government, in particular the wage premium attracted by the apprenticeship and the implied rate of return on the investment, over history and in comparison to the area of return to other forms of education investment
   - The incidence and quantum of the burden of non-completion rates.

5. Scope to align the support provided by all levels of government to deliver a modern apprenticeships system.

6. The interaction of the Australian Apprenticeships system with the system and structure of industrial awards and other employment regulation for apprentices. Factors to be examined will include:
   - The competency-based progression through award classifications
   - The provision of rates for adult apprentices
   - Provisions dealing with payment by employers of training and tool costs
   - The appropriate quantum of remuneration to be provided to apprentices, having regard to the role of lower wages as a regulatory subsidy/ incentive for employers to train, the needs of apprentices
   - Any other factors relevant to setting minimum wages and other award conditions (such as living away from home arrangements) relevant to the rates of offering and completion of apprenticeships
   - Any barriers or incentives to skills formation that arise from the interaction of the two systems.

The NCVER will be commissioned to assist the panel in their consideration of these issues.
Apprenticeships for the 21st Century

Attachment: Contextual information

COAG Australian Apprenticeship Taskforce

The Australian Apprenticeship Taskforce was established by the Council of Australian Governments (COAG) in April 2009 to undertake urgent work and make recommendations to support the engagement and retention of apprentices during the economic downturn. One of the 10 actions recommended and agreed by COAG on 7 December 2009 was to:

Undertake an immediate review to re-prioritise apprenticeship and traineeship incentives to better target quality outcomes and commencement and retention of trade apprentices, including consideration of strengthened financial support for trade apprentices in areas of skill shortage.

Other actions supported by COAG involved streamlining and improving support arrangements for apprenticeships, delivering more and better pre-apprenticeships and embedding competency-based skills and wage progression as a standard within the system.

MCTEE Apprentices Action Group

Implementation of the Australian Apprenticeship Taskforce’s recommendations will be overseen by an Action Group of the Ministerial Council for Tertiary Education and Employment which will report outcomes to the Council of Australian Governments by the end of 2010.

Award modernisation

The Australian Industrial Relations Commission (the predecessor to FWA) indicated during award modernisation process in 2009 that the task of consolidating thousands of state-based and federal awards into 122 modern awards had highlighted the need for a more detailed review of apprentice and training provisions in awards.

The creation of the national workplace relations system highlighted a number of differences between states’ industrial regulation of apprenticeships. For example, states had different arrangements for the provision of competency-based progression, reimbursement of training costs and tool allowances. Award modernisation also highlighted some differences in rates of pay for apprentices in different states (notably electrical apprentices).

It is important that FWA’s review of such arrangements is carried out in a manner fully informed by the broader context of Government policy on apprenticeships and alignment of incentives and vice versa.
Appendix B: The work of the panel

The Expert Panel
The Apprenticeships for the 21st Century Expert Panel was established as part of the 2010–11 Budget, to advise the Australian Government on strategies to sustain and grow a stronger Australian Apprenticeships system (apprenticeships and trainees).

The Expert Panel comprised the following members:

Chair: Mr Jim McDowell Chief Executive Officer BAE Systems Australia

Panel Members: Dr John Buchanan Director, Workplace Research Centre The University of Sydney
Mr Royce Fairbrother Chief Executive Officer Fairbrother Pty Ltd
Mr Dave Oliver National Secretary Australian Manufacturing Workers Union
Ms Marie Persson Board Member Skills Australia
Mr Tim Shipstone Industrial Officer Australian Council of Trade Unions
Ms Simone Wetzlar Executive General Manager People, Safety and Environment Thiess Pty Ltd

Our Process
We met regularly to consider the terms of reference and recommendations to be provided to the Australian Government. Our deliberations were informed by practical experience in supporting Australian Apprentices, commissioned research, input from critical friends and of comprehensive review of available literature and data.

We have considered the economic sustainability and flexibility of the current Australian Apprenticeships system and model. We have also examined the scope of reform of Australian Apprenticeship structures and incentives to support improvement of skills formation and participation in both the supply and demand sides of the market, including regulatory and other constraints within the sector. Our suggested reforms and re-prioritisation of public investment is intended to increase Australian Apprenticeship commencements and completions and ensure there is an ongoing source of skilled labour to meet future demands.

In addressing the terms of reference, we have provided the Government with a package of measures to develop a system that is simpler, flexible and quality-assured, and provides for Australia’s future skills requirements. We have avoided an overly prescriptive approach; however, the recommendations include specific suggestions for improvement where this is considered appropriate.

Commissioned Research
Our work has been underpinned by a study on related economic costs and benefits, including research undertaken by the National Centre for Vocational Education and Research (NCVER). The NCVER research was presented in four Reports:
• Report 1 *Overview of the Australian apprenticeship and traineeship system*
• Report 2 *Overview of apprenticeship and traineeship institutional structures*
• Report 3 *The apprenticeship and traineeship system’s relationships with the regulatory environment*
• Report 4 *The economics of apprenticeships and traineeships*

**Stakeholder Engagement**
In 2009 stakeholder views were sought on apprenticeship issues through the Council of Australian Governments (COAG) Apprentices Taskforce. This process confirmed some well known positions and views that were included in the Taskforce report to COAG. For this reason, rather than repeat this process, we adopted a ‘critical friends’ approach as a basis for consultations with stakeholders. We used this engagement strategy to ensure that stakeholder’s views were taken into consideration when making our recommendations.

We liaised with the following stakeholders:

• The MCTEE Apprentices Action Group
• Australian Industry Group (AIG) – Ms Heather Ridout
• Chair Bradley Review into Higher Education – Professor Denise Bradley
• Australian Chamber of Commerce and Industry (ACCI) - Mr Peter Anderson and Ms Mary Hicks
• Skills Australia – Mr Philip Bullock
• TAFE Directors Australia (TDA) – Mr Bruce McKenzie
• Australian Council for Private Education and Training (ACPET) – Ms Claire Fields
• The Enterprise Registered Training Organisation Association (ERTOA) – Mr Chris Butler
• Group Training Australia (GTA) – Mr Jim Barron
• Construction and Property Services Industry Skills Council – Lindsay Fraser
• ElectroComms and Energy Utilities Industry Skills Council – Mr Bob Taylor
• Forestry, Wood, Paper and Timber Products Industry Skills Council – Mr Michael Hartman
• Government Skills Australia – Ms Jan Weir
• Manufacturing Industry Skills Council – Mr Bob Paton
• Skills DMC – Mr Steve McDonald
• Housing Industry Association – Mr Nick Proud
• Master Builders Association – Mr Wilhelm Harnisch
• National VET regulator - Kaye Schofield.

**Peer Review**
The final report of the panel was peer reviewed by:

Peter Henneken  
Chairperson, Safety, Rehabilitation and Compensation Commission. Former Director-General, Queensland Department of Employment and Industrial Relations.

Tom Dumbrell  
Director, Dumbrell Consulting. Former Director, Labour Market Policy, NSW Department of Industrial Relations, Employment and Training.
## Appendix C: Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AAC</td>
<td>Australian Apprenticeships Centre</td>
</tr>
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<td>Australian Apprenticeship Taskforce</td>
</tr>
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<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<tr>
<td>ACCI</td>
<td>Australian Chamber of Commerce and Industry</td>
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<td>ACIRRT</td>
<td>Australian Centre for Industrial Relations Research and Training</td>
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<td>ACPET</td>
<td>Australian Council for Private Education and Training</td>
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<td>AiG</td>
<td>Australian Industry Group</td>
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<td>ANZSCO</td>
<td>Australian and New Zealand Standard Classification of Occupations</td>
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<td>AQF</td>
<td>Australian Qualifications Framework</td>
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<td>ASbA</td>
<td>Australian School-based Apprentice</td>
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<td>ATO</td>
<td>Australian Taxation Office</td>
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<td>BCITF</td>
<td>Building Construction Industry Training Fund</td>
</tr>
<tr>
<td>CBTP</td>
<td>competency-based training progression</td>
</tr>
<tr>
<td>CBWP</td>
<td>competency-based wage progression</td>
</tr>
<tr>
<td>CFMEU</td>
<td>Construction Forestry Mining and Energy Union</td>
</tr>
<tr>
<td>COAG</td>
<td>Coalition of Australian Governments</td>
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<td>CPA</td>
<td>Certified Practising Accountants of Australia</td>
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<td>CTF</td>
<td>Construction Training Fund</td>
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<td>DEEWR</td>
<td>Department of Education, Employment and Workplace Relations</td>
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<td>DFEEST</td>
<td>Department of Further Education, Employment, Science and Technology, South Australia</td>
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<tr>
<td>ECS</td>
<td>Employer Contribution Scheme</td>
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<tr>
<td>EE-Oz</td>
<td>Industry Skills Council for the Australian ElectroComms and Energy Utilities Industries</td>
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<td>ERTOA</td>
<td>Enterprise Registered Training Organisation Association</td>
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<tr>
<td>ETES</td>
<td>Education Training Employment Schedule</td>
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<td>FWA</td>
<td>Fair Work Australia</td>
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<td>Group Training Australia</td>
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<td>GTO</td>
<td>Group Training Organisation</td>
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<td>ISC</td>
<td>Industry Skills Council</td>
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<td>ISO</td>
<td>Industry Support Officer</td>
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<td>MCTEE</td>
<td>Ministerial Council for Tertiary Education and Employment</td>
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<td>MISAC</td>
<td>Manufacturing Industry Skills Advisory Council SA Inc</td>
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<td>MAATS</td>
<td>Modern Apprenticeship and Traineeship System</td>
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<td>NAAAC</td>
<td>National Association of Australian Apprenticeship Centres</td>
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<td>NCVER</td>
<td>National Centre for Vocational Education and Training</td>
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<tr>
<td>NPC</td>
<td>Northern Project Contracting</td>
</tr>
<tr>
<td>NSNL</td>
<td>National Skills Needs List</td>
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<tr>
<td>NTW</td>
<td>National Training Wage</td>
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<tr>
<td>NVEAC</td>
<td>National VET Equity Advisory Council</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Development</td>
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<tr>
<td>OzHelp</td>
<td>Workplace based early intervention suicide prevention and social capacity building program</td>
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<tr>
<td>RCC</td>
<td>Recognition of Current Competencies</td>
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<tr>
<td>RDO</td>
<td>Rostered Day off</td>
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<tr>
<td>RPL</td>
<td>Recognition of Prior Learning</td>
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<tr>
<td>RTO</td>
<td>Registered Training Organisation</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>SACE</td>
<td>South Australian Certificate of Education</td>
</tr>
<tr>
<td>SPOL</td>
<td>Specialised Occupations List</td>
</tr>
<tr>
<td>SSA</td>
<td>Service Skills Australia</td>
</tr>
<tr>
<td>STA</td>
<td>State Training Authority</td>
</tr>
<tr>
<td>TAFE</td>
<td>Technical and Further Education</td>
</tr>
<tr>
<td>TDA</td>
<td>TAFE Directors Australia</td>
</tr>
<tr>
<td>TYIMS</td>
<td>Training and Youth Internet Management System</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational Education and Training</td>
</tr>
<tr>
<td>WRC</td>
<td>Workplace Research Centre</td>
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</table>
## Appendix D: Glossary

| **Apprenticeship** | A system of training regulated by law or custom which combines on-the-job training and work experience while in paid employment with formal (usually off-the-job training). The apprentice enters into a contract of training or training agreement with an employer which imposes mutual obligations on both parties. |
| **Apprentice Kickstart** | The Apprentice Kickstart program is an Australian Government program designed to counteract the impact of the global recession on Australian Apprenticeships commencements and retention. |
| **Apprentice Ratios** | Relates the number of Australian Apprentices per supervisor in the workplace. |
| **Attrition Rate** | The measurement of the number of apprentices and trainees that drop out of their training before completion. |
| **Australian Apprentice** | A person who is:  
  - Employed under a training contract that has been registered with, and validated by, the State Training Authority  
  - Involved in paid work and structured training which commonly comprises both on and off the job training  
  - Undertaking a negotiated training program responsive to client choice that involves obtaining a nationally recognised qualification.  
In some states and territories, Australian Apprenticeships may be referred to as apprenticeships and traineeships. |
| **Australian Apprenticeship Centre (AAC)** | AACs are contracted by the Department of Education, Employment and Workplace Relations to provide Australian Apprenticeships Support Services. |
| **Australian Apprenticeships Incentives Program (AAIP)** | Formerly called the New Apprenticeships Incentives Programme (NAIP), the aim of AAIP is to develop a skilled Australian workforce by offering financial incentives to eligible employers who take on an Australian Apprentice. |
| **Australian Apprenticeships Taskforce** | The Australian Apprenticeships Taskforce was created by the Council of Australian Governments (COAG) in April 2009 to make recommendations to support the engagement and retention of apprentices during the economic downturn. |
| **Australian Qualifications Framework (AQF)** | A nationally consistent set of qualifications for all post-compulsory education and training in Australia. |
| **Australian Quality Training Framework (AQTF)** | Outlines the nationally agreed standards for the registration and auditing of training providers and accreditation of courses and operation of state and territory registering bodies. |
| **Cancellations and withdrawals** | Refers to apprentices and trainees whose contract of training has been terminated prior to successful completion. Cancellation and withdrawal figures also include contracts which have been transferred. |
| **Commencements** | Refers to apprentices and trainees starting a program of training. The date of commencement is the date that an apprentice or trainee training contract is registered or approved under the provisions of the relevant state/territory legislation. |
| **Competency-based Training Progression** | Progression through an apprenticeship or a traineeship is dependent on the satisfactory completion of a number of competencies, and is not solely tied to a specific duration. |
| **Competency-based Wage Progression** | Progression through the wages system is dependent upon the demonstrated completion of formal competencies and acquisition and use of skills by an apprentice or trainee. |
| **Completion Rate** | The rate at which apprentices and trainees complete their contract of training. |
| **Council of Australian Governments (COAG)** | COAG is the peak intergovernmental forum in Australia and is comprised of the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. |
| **Disabled Australian Apprentice Wage Support (DAAWS)** | DAAWS is an Australian Government incentive payable to an employer who employs an Australian Apprentice who satisfies the disability eligibility criteria in an Australian Apprenticehip. |
| **Eligible Apprenticeships and Traineeships** | The expert panel proposals for reform include the identification of those apprenticeships and traineeships that qualify for Australian Government subsidies. |
| **Employer Contribution Scheme (ECS)** | The ECS is proposed by the expert panel to help provide the resources to support a strong Australian Apprenticeships system. |
| **Existing–workers** | Those apprentices and trainees who were employed by their current employer for more than three months full-time (or 12 months part time or casual) prior to commencing their training contract. |
| **Fair Work Australia (FWA)** | It is an independent body with power to carry out a range of functions including providing a safety net of minimum conditions, including minimum wages and facilitating good faith bargaining and the making of enterprise agreements. |
| **Group Training Organisation (GTO)** | An organisation which employs Australian Apprentices under a training contract and places them with host employers. The GTO undertakes the employer responsibilities for the quality and continuity of the Australian Apprentices’ employment and training, including payment of Australian Apprentices’ wages. |
| **Induction** | The provision of information to a new Australian Apprentice at the commencement of their apprenticeship or traineeship including information about the position and the workplace and the expectations of the employer. |
| **Industry Skills Councils (ISC)** | ISCs bring together industry, educators and governments to facilitate action on skills and workforce development. |
| **Job Services Australia (JSA)** | Job Services Australia the Australian Government’s national employment services system which provides job matching services to both job seekers and employers. |
| **Living Away from Home Allowance (LAFHA)** | See Appendix Q. |
| **MCTEE Apprentices Action Group** | Created to oversee implementation of the recommendations provided by the Australian Apprentices Taskforce. On 7 December 2009, COAG agreed to ten recommendations of the Taskforce. |
| **Modern Awards** | Modern awards came into effect on 1 January 2010, and replace the previous federal and state awards covering employees across Australia. Modern awards contain minimum conditions of employment for employees in addition to those contained in the national employment standards. |
| **National Centre for Vocational and Education Research (NCVER)** | A national research, evaluation and information organisation for the vocational education and training (VET) sector in Australia, jointly owned by the Australian, state and territory ministers responsible for VET. |
| **National Custodian** | The National Custodian is a proposal by the expert panel for a national body with authority to oversee the Australian Apprenticeship system. |
| **National Resources Sector Employment Taskforce (NRSET)** | This taskforce was established in November 2009 to help secure more than 70,000 additional skilled workers needed for major resources projects over the next five years. The taskforce presented the *Resourcing the Future*, report to Government in July 2010. |
| **National Skills and Workforce Development Agreement** | An Australian Government agreement under the *Skilling Australia for the Future* initiative. Under the agreement the government provides funding linked to specific targets for increasing the qualifications of the working age population. Australian Government funding for this program is $5.4 million for the period 2009-10 to 2012-13. |
| **National Skills Needs List (NSNL)** | A list of trade occupations that have been identified as being in national skills shortage. This forms the basis for targeting some Australian Apprenticeship incentives. |
| **National Trade Cadetship Program** | An Australian Government program to enable vocational education and training to be recognised at School and count towards future qualifications. |
| **National Training Wage (NTW)** | The NTW sets the minimum wage rates for trainees. The NTW schedule is derived from the National Training Wage Award 1994 and is included in most modern awards. Under the NTW schedule, trainees receive a different wage rate depending on the highest level of school completed and the number of years since they have left school. |
| **National VET Equity Advisory Council (NVEAC)** | NVEAC was established to provide high level advice to the Ministerial Council for Tertiary Education and Employment (MCTEE) to guide equity reform in the national training system. NVEAC is a single layer advisory body which considers the issues and barriers that affect all equity groups and identifies shared priorities for such groups. |
| **National VET Regulator** | The National VET Regulator will be responsible for developing a national set of standards in the VET sector that are consistently regulated. The Regulator will be a federal statutory authority. All jurisdictions except Victoria and Western Australia have agreed to refer powers to the Australian Government for its establishment. |
| **Nominal Duration** | Each state or territory determines the nominal duration (the period of time for completion) of an Australian Apprenticeship. This period of time may vary between jurisdictions for the same qualification. |
| **Off-the-job training** | The formal training conducted by a Registered Training Organisation which in some cases may be performed at the workplace. |
| **On-the-job training** | Training undertaken in the workplace by an Australian Apprentice as part of their training contract. |
| **Pre-apprenticeship course** | An approved course undertaken prior to commencing an apprenticeship that may reduce the term of the apprenticeship if successfully completed. |
| **Pre-vocational training** | Pre-vocational training focuses on general preparation for employment, providing foundation skills for a range of training and employment outcomes, which may include an Australian Apprenticeship. |
| **Productivity Places Program (PPP)** | The Productivity Places Program is part of the Australian Government’s *Skilling Australia for the future* initiative. The program aims to provide additional training opportunities to assist Australian workers and job seekers to develop the skills they need to be effective participants and contributors to the modern workforce. |
| **Recognition of Current Competencies (RCC)** | The assessment of a person’s current capacity to perform; it applies if an individual has previously successfully completed the requirements for a unit of competency or a module and is now required to be reassessed to ensure that the competence is being maintained. |
| **Recognition of prior learning (RPL)** | Status or credit obtained for courses or subjects on the basis of recognised competencies gained previously through informal and formal training, experience in the workplace, voluntary work, social or domestic activity. |
| **Registered Training Organisation (RTO)** | An organisation registered by the state and territory training authorities to deliver training, conduct assessments and issue nationally recognised qualifications in accordance with the Australian Quality Training Framework. |
| **Skilled Occupation List (SOL)** | The SOL is used by the Australian Department of Immigration and Citizenship to help determine eligibility for immigrants with skills in demand under the General Skilled Migration program. |
| **Skills Australia** | An independent statutory body established in 2008 as part of the Australian Government’s *Skilling Australia for the future* initiative policy to provide advice on current, emerging and future workforce development needs and workforce skill needs. |
| **Specialised Occupations List (SpOL)** | The (SpOL) was developed as part of a workforce development strategy by Skills Australia to identify specialised occupations. The SpOL uses a number of criteria to identify specialist occupations including analysis of labour market, education and migration data to assess longer term skills and workforce development needs. |
| **State and territory training authority (STA)** | The body in each state or territory responsible for the operation of the Vocational Education and Training system, including Australian Apprenticeships, within that jurisdiction. |
| **Support for Adult Australian Apprentices** | See Appendix Q. |
| **Tools for Your Trade Payment** | See Appendix Q. |
| **Trades** | Refers to those apprentices and trainees employed in trades occupations under major group 3 (Technicians and trades workers) of ANZSCO 1<sup>st</sup> edition. |
| **Traineeship** | A system of vocational training combining off-the-job training with an approved training provider with on-the-job training and practical work experience. Traineeships generally take one to two years and are a part of the Australian Apprenticeships system. |
| **Training contract** | A legal contract of training which must be undertaken by all Australian Apprentices. The training contract includes the type of apprenticeship or traineeship, the commencement date, the duration of training, details of the employer and training provider as well as the obligations of each party. |
| **Training Guarantee Levy** | Australian Government scheme during the 1990s that required Australian enterprises to contribute some of their income to employee training or a government fund for the development of training programs. |
| **Training packages** | A set of nationally endorsed standards, guidelines and qualifications for training and for recognising and assessing skills. |
| **Training Plan** | The Training Plan is developed in consultation with the Australian Apprentice, the employer and the Registered Training Organisation (RTO) and must be signed by all parties. The plan details the training required to be delivered by both the RTO and the employer in order to fulfil the requirements of the Australian Apprenticeship. |
| **Unique Student Identifier** | A national student identifier which will track individual students as they progress through education and training. |
| **VET in Schools** | A program which allows students to combine vocational studies with their general education curriculum. Students participating in VET in Schools continue to work towards their Senior Secondary School Certificate. |
| **Vocational Education and Training (VET)** | Education (excluding higher education) which gives people work-related knowledge and skills. |
## Appendix E: Australian Apprenticeships steps

### Stepping through the Australian Apprenticeship process

<table>
<thead>
<tr>
<th>Number</th>
<th>Description of steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td><strong>The Australian Apprentice and employer sign a training contract</strong>&lt;br&gt;The Australian Apprenticeships Centre (AAC) facilitates execution of training contract and advises on the provision of and access to training and funding.</td>
</tr>
<tr>
<td>Step 2</td>
<td><strong>The AAC submits a completed training contract to the relevant state or territory training authority (STA) for approval</strong>&lt;br&gt;The AAC is required to submit the training contract within 10 days and the TYIMS data system is updated.</td>
</tr>
<tr>
<td>Step 3</td>
<td><strong>The employer and Australian Apprentice contact the selected Registered Training Organisation (RTO) to organise the training</strong>&lt;br&gt;The apprentice is enrolled at the RTO and a training plan is put in place which details the delivery of training. Training commences.</td>
</tr>
<tr>
<td>Step 4</td>
<td><strong>Employer is eligible for standard commencement payment</strong>&lt;br&gt;The Australian Apprentice has completed three months of the apprenticeship and the employer is eligible for a standard commencement incentive payment subject to STA approval of the training contract.</td>
</tr>
<tr>
<td>Step 5</td>
<td><strong>Employer submits an incentive claim form to the AAC</strong>&lt;br&gt;The AAC processes the claim form via TYIMS and incentive payments are made to the employer when eligible.</td>
</tr>
<tr>
<td>Step 6</td>
<td><strong>The AAC contacts or visits the employer and Australian Apprentice</strong>&lt;br&gt;The AAC visits at six and 12 month duration and at completion of the Australian Apprenticeships.</td>
</tr>
<tr>
<td>Step 7</td>
<td><strong>The Australian Apprentice completes the training successfully</strong>&lt;br&gt;The RTO issues the qualification to the apprentice, where the apprentice partially completes a Statement of Attainment is issued.</td>
</tr>
<tr>
<td>Step 8</td>
<td><strong>Employer validates competency on-the-job</strong>&lt;br&gt;The employer provides verification to the RTO and/or STA of attainment of on-the-job competence.</td>
</tr>
<tr>
<td>Step 9</td>
<td><strong>STA certification</strong>&lt;br&gt;The STA provides certification of achieved competency in the trade or occupation to the apprentice.</td>
</tr>
<tr>
<td>Step 10</td>
<td><strong>The Australian Apprentice and employer have met the training contract requirements</strong>&lt;br&gt;The STA confirms completion of the apprenticeship, closes the training contract and the employer is eligible for the standard completion payments.</td>
</tr>
</tbody>
</table>
Appendix F: Age profiles and occupations of Australian Apprentices 2000-2010

The profile of apprentices and trainees has changed over recent time. The following table shows that over the ten years to 2010, there have been slight reductions in the proportion of apprentices and trainees aged 17,18,19 and 20-24 years. The proportion aged 25-34 and 35 years and over has increased over the same period, with the greatest rise occurring in the 35 years and over cohort. Apprentices and trainees aged over 25 years now comprise over 42 per cent of all apprentices and trainees.

Apprentices and Trainees in training by age and occupation group (2000-2010)

<table>
<thead>
<tr>
<th>Age groups</th>
<th>2000</th>
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<td>25.5</td>
<td>25.0</td>
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<td>26.7</td>
<td>26.4</td>
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<td>16.1</td>
<td>16.6</td>
<td>17.5</td>
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<tr>
<td>35 and over</td>
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<td>20.9</td>
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<td>22.9</td>
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Occupation, ANZSCO

<table>
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<tr>
<th>Occupation</th>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Managers</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>1.0</td>
<td>1.4</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>2 Professionals</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.5</td>
<td>0.4</td>
<td>0.6</td>
<td>1.2</td>
<td>1.8</td>
<td>1.6</td>
<td>0.9</td>
</tr>
<tr>
<td>3 Technicians and Trades Workers</td>
<td>49.8</td>
<td>44.3</td>
<td>40.3</td>
<td>38.1</td>
<td>38.5</td>
<td>42.3</td>
<td>45.2</td>
<td>47.4</td>
<td>48.9</td>
<td>48.3</td>
<td>47.5</td>
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<td>4 Community and Personal Service</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workers</td>
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<td>10.8</td>
<td>10.8</td>
<td>11.3</td>
<td>10.9</td>
<td>11.2</td>
<td>11.0</td>
<td>10.8</td>
<td>10.6</td>
<td>11.1</td>
<td>11.4</td>
</tr>
<tr>
<td>5 Clerical and Administrative</td>
<td>9.7</td>
<td>11.4</td>
<td>11.9</td>
<td>13.9</td>
<td>15.8</td>
<td>14.2</td>
<td>13.3</td>
<td>13.1</td>
<td>12.8</td>
<td>13.6</td>
<td>14.9</td>
</tr>
<tr>
<td>6 Sales Workers</td>
<td>12.1</td>
<td>11.9</td>
<td>13.9</td>
<td>14.2</td>
<td>13.0</td>
<td>11.6</td>
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<td>10.7</td>
<td>10.5</td>
<td>10.4</td>
<td>10.3</td>
</tr>
<tr>
<td>7 Machinery Operators and Drivers</td>
<td>6.5</td>
<td>10.5</td>
<td>12.2</td>
<td>12.1</td>
<td>11.7</td>
<td>11.1</td>
<td>10.3</td>
<td>9.2</td>
<td>8.2</td>
<td>7.6</td>
<td>7.4</td>
</tr>
<tr>
<td>8 Labourers</td>
<td>9.4</td>
<td>9.5</td>
<td>9.3</td>
<td>9.0</td>
<td>8.8</td>
<td>8.3</td>
<td>7.5</td>
<td>6.7</td>
<td>5.9</td>
<td>5.5</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Total                             | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   | 100   |

Source: NCVER 2010
### Appendix G: Characterisation of apprenticeships and traineeships

#### Stylised characterisation of apprenticeships and traineeships

<table>
<thead>
<tr>
<th>Groupings of apprenticeships and traineeships</th>
<th>Male</th>
<th>Female</th>
<th>Balanced gender mix</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional trades (new entrants)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive and engineering</td>
<td></td>
<td>Hairdressing</td>
<td>Other technicians and trade workers</td>
</tr>
<tr>
<td>Construction trades workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electro-technology and telecommunications trades</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food trades workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skilled animal and horticultural workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wood trades workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young part-timer new entrants (mostly at School)</td>
<td></td>
<td>Sports and personal service workers</td>
<td>Food preparation assistants</td>
</tr>
<tr>
<td>Older new entrants, low-level skills</td>
<td></td>
<td>General clerical workers</td>
<td>Sales assistants and salespersons</td>
</tr>
<tr>
<td>Construction and mining labourers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farm, forestry and garden workers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protective services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory process worker</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machine and stationary plant operators</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmers and farmer managers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Older existing-workers, low-level skills</td>
<td></td>
<td>Carers and aides</td>
<td>Inquiry clerks and receptionists</td>
</tr>
<tr>
<td>Mobile plant operators</td>
<td></td>
<td>Health and welfare support workers</td>
<td>Sales representatives and agents</td>
</tr>
<tr>
<td>Road and rail drivers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storepersons</td>
<td></td>
<td>Sales assistants</td>
<td></td>
</tr>
<tr>
<td>Older existing-workers, high-level skills</td>
<td></td>
<td>Specialist managers</td>
<td>Hospitality, retail and service managers</td>
</tr>
<tr>
<td>Engineering, ICT and science technicians</td>
<td></td>
<td>Numerical clerks</td>
<td>Education professionals</td>
</tr>
<tr>
<td>Business, human resources and marketing</td>
<td></td>
<td></td>
<td>Office managers &amp; program administrators</td>
</tr>
</tbody>
</table>

Note: Printing trades workers do not fit into any of the above groups very well; they are mostly male, a spread of ages, new entrants and existing-workers. Farmers and farm managers are perhaps more skilled than other occupations in this group.

Source: NCVER Report 1 *Overview of the Australian apprenticeship and traineeship system 2010*
### Appendix H: Commencements by gender

#### Calendar year commencements by gender

<table>
<thead>
<tr>
<th>Trade occupations</th>
<th>Calendar year</th>
<th>Total number</th>
<th>Full-time</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1995</td>
<td>41,634</td>
<td>93.2</td>
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</tr>
<tr>
<td></td>
<td>1996</td>
<td>42,228</td>
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<td>16.3</td>
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<td></td>
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<td>42,361</td>
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<td>15.2</td>
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<td></td>
<td>1998</td>
<td>47,969</td>
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<td></td>
<td>1999</td>
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<td>15.0</td>
</tr>
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<td></td>
<td>2000</td>
<td>52,135</td>
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</tr>
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<td>2001</td>
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<td>17.3</td>
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<td>2003</td>
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<td>2004</td>
<td>70,786</td>
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<td></td>
<td>2005</td>
<td>73,734</td>
<td>95.1</td>
<td>14.3</td>
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<tr>
<td></td>
<td>2006</td>
<td>76,662</td>
<td>94.4</td>
<td>14.2</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>84,063</td>
<td>92.6</td>
<td>14.5</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>86,296</td>
<td>90.9</td>
<td>15.2</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>71,549</td>
<td>89.4</td>
<td>17.0</td>
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</table>

<table>
<thead>
<tr>
<th>Non-trade occupations</th>
<th>Calendar year</th>
<th>Total number</th>
<th>Full-time</th>
<th>Female</th>
</tr>
</thead>
<tbody>
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<td></td>
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<td>22,976</td>
<td>88.0</td>
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</tr>
<tr>
<td></td>
<td>1996</td>
<td>47,620</td>
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<tr>
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<td>1997</td>
<td>72,193</td>
<td>91.0</td>
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<tr>
<td></td>
<td>1998</td>
<td>107,029</td>
<td>82.7</td>
<td>53.0</td>
</tr>
<tr>
<td></td>
<td>1999</td>
<td>143,779</td>
<td>75.5</td>
<td>49.6</td>
</tr>
<tr>
<td></td>
<td>2000</td>
<td>158,090</td>
<td>72.3</td>
<td>49.7</td>
</tr>
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<td></td>
<td>2001</td>
<td>173,865</td>
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<td>202,379</td>
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<td></td>
<td>2009</td>
<td>199,894</td>
<td>61.8</td>
<td>53.5</td>
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</table>

Appendix I: Commencements by occupation and gender

Commencements by occupation and gender, calendar year 2009

<table>
<thead>
<tr>
<th>Occupation (ANZSCO) group</th>
<th>Total number</th>
<th>Male</th>
<th>Male %</th>
<th>Female</th>
<th>Female %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>6 340</td>
<td>2 266</td>
<td>35.7</td>
<td>4 074</td>
<td>64.3</td>
</tr>
<tr>
<td>Professionals</td>
<td>7 599</td>
<td>5 697</td>
<td>75.0</td>
<td>1 902</td>
<td>25.0</td>
</tr>
<tr>
<td>Technicians &amp; trades workers</td>
<td>71 549</td>
<td>59 367</td>
<td>83.0</td>
<td>12 182</td>
<td>17.0</td>
</tr>
<tr>
<td>Community &amp; personal service workers</td>
<td>43 333</td>
<td>12 741</td>
<td>29.4</td>
<td>30 592</td>
<td>70.6</td>
</tr>
<tr>
<td>Clerical &amp; administrative workers</td>
<td>56 354</td>
<td>20 496</td>
<td>36.4</td>
<td>35 858</td>
<td>63.6</td>
</tr>
<tr>
<td>Sales workers</td>
<td>40 224</td>
<td>15 206</td>
<td>37.8</td>
<td>25 018</td>
<td>62.2</td>
</tr>
<tr>
<td>Machinery operators &amp; drivers</td>
<td>24 938</td>
<td>22 137</td>
<td>88.8</td>
<td>2 801</td>
<td>11.2</td>
</tr>
<tr>
<td>Labourers</td>
<td>21 105</td>
<td>14 464</td>
<td>68.5</td>
<td>6 642</td>
<td>31.5</td>
</tr>
<tr>
<td>All occupations</td>
<td>271 443</td>
<td>152 374</td>
<td>56.1</td>
<td>119 069</td>
<td>43.9</td>
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</tbody>
</table>


Notes specific to this table: Unknown data have not been reported, whereas ‘Total number’ includes all contracts; hence some figures may not sum to the total.
Appendix J: International comparisons

Germany
Germany is closely associated with the apprenticeships model known as the ‘dual system’, so named because learning occurs in both a workplace and in vocational schools. Responsibility for the dual system is shared between employers, trade unions and the federal and state governments. The employer associations and trade unions form an intrinsic part of the German system - they are widely consulted and have decision making powers within the system. Apprenticeship training is both highly standardised and regulated. It differs to the methods employed in Australia in that all practical skills are provided on-the-job in the workplace. The off-the-job training in a vocational School entails broader subjects such as sport, civics, business studies and trade theory.

Employers provide the bulk of the funding for the German apprenticeships system though payments made by firms employing apprentices to the chambers of commerce and the craft chambers. Many of the institutional arrangements in the German system function effectively because of the deep embedding of social and political acceptance of employers and unions as ‘social partners’. It is an example of how employers’ commitment to training can be secured through regulation and consensus, however the system is expensive and can be severely tested by changing economic conditions.

United Kingdom
The system of indentured apprenticeships for training in the crafts and trades was well established in the United Kingdom by the 14th century and has endured. It is the foundation of Australia’s Apprenticeships system. The system of training is much less regulated than in the German system in that employer investment is through a ‘laissez-faire’ system where few regulations are imposed on employer training activities and employers may train according to business needs. There is a weak connection between industry and further education delivery, with the majority of trainees in the main building trades studying while unemployed. This weak connection with industry can result in trainees experiencing difficulties obtaining work experience and employment after completion of their training. In recent years the United Kingdom has become increasingly concerned about the level of complexity in the system for stakeholders within the system who can all find themselves enmeshed in extremely complex administrative arrangements, particularly in terms of accounting for the use of public funds.

Singapore
Singapore relies heavily on an educated and skilled workforce and uses the apprenticeships model to provide entry-level training in trade occupations to young people. Singapore uses the ‘train and place’ model for apprenticeships in which the individual undertakes institutional training (usually for the first two years) and then moves into employment. The apprenticeships system is integrated with the education system more broadly and is seen as a continuation of the general education system for young people. The government funds the formal part of the training but not the on-the-job training. Employers in Singapore pay a training levy that is held in a training fund and can be accessed on a needs basis. However, despite considerable public investment in education and training, Singapore continues to depend on foreign professional and skilled workers to meet the skills needs of the economy.

Peoples Republic of China
Apprenticeships in China are also undertaken through the ‘train and place’ model where the apprenticeships starts with a period of institutional training, usually two years, at a School or polytechnic, followed by a similar period of employment based training. The importance of apprenticeships has increased considerably in recent decades due to the speed of economic growth in China and the subsequent need to train many more young people in trade and trade related
occupations. The delivery of apprenticeships is funded and managed by provincial governments. The curriculum for apprenticeships programs is centrally determined and controlled by the Ministry of Education with an unknown level of input from employers and industry. The government of China is investing heavily in infrastructure and facilities to support the training of larger numbers of apprentices. However, this is impeded by a poor cultural perception of training and employment in the trades which results in it being viewed as a second-rank option. State control of wages may be exacerbating this problem.
Appendix K: Reasons for dissatisfaction

The following table provides the findings of NCVER research on the reasons for dissatisfaction with the apprenticeship or traineeship for non-completers in both 2008 and 2010.  

<table>
<thead>
<tr>
<th>Dissatisfaction</th>
<th>In a trade occupation</th>
<th>In a non-trade occupation</th>
<th>All non-completers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>28.1</td>
<td>25.3</td>
<td>27.0</td>
</tr>
<tr>
<td>Quality of off-the-job training overall</td>
<td>15.4</td>
<td>10.0</td>
<td>22.5</td>
</tr>
<tr>
<td>Frequency of training</td>
<td>20.1</td>
<td>13.7</td>
<td>29.3</td>
</tr>
<tr>
<td>Relevance of skills to workplace</td>
<td>17.5</td>
<td>12.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Fairness of the assessments of skills and knowledge</td>
<td>8.8</td>
<td>6.6</td>
<td>13.1</td>
</tr>
<tr>
<td>Relevance of the assessment tasks</td>
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<td>9.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Quality of the training facilities and equipment</td>
<td>17.7</td>
<td>11.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Employment overall</td>
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<td>20.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Type of work</td>
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<td>17.8</td>
<td>17.1</td>
</tr>
<tr>
<td>Working conditions</td>
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<td>18.6</td>
<td>24.3</td>
</tr>
<tr>
<td>Pay</td>
<td>52.1</td>
<td>38.7</td>
<td>40.9</td>
</tr>
<tr>
<td>Hours of work</td>
<td>21.1</td>
<td>17.3</td>
<td>23.2</td>
</tr>
<tr>
<td>Supervision</td>
<td>26.8</td>
<td>23.0</td>
<td>25.2</td>
</tr>
<tr>
<td>Relationship with co-workers</td>
<td>24.0</td>
<td>16.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Training provided by employer</td>
<td>30.6</td>
<td>26.9</td>
<td>26.4</td>
</tr>
<tr>
<td>Skills learnt on-the-job</td>
<td>19.5</td>
<td>17.7</td>
<td>14.2</td>
</tr>
</tbody>
</table>

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Appendix L: A refocused apprenticeship and traineeship pathway

The apprenticeship and traineeship – an employment and training relationship

- On the job training
  - Employer accreditation scheme
  - Excellence in Employment scheme

- Off the job training

Career development

- Employer commitment to further development
- Further development of occupational skills
- Further participation in tertiary education

Entry

- School
- Pre-apprenticeship
- Pre-vocational
- Other employment

Employment

- Diploma
- Certificate IV
- Certificate III
- Certificate II

Foundation skill development

Mentoring

Pastoral care
## Appendix M: Commencements by age

### Calendar year commencements by age, 1995–2009

<table>
<thead>
<tr>
<th>Trade occupations</th>
<th>Calendar year</th>
<th>Total number</th>
<th>Full-time%</th>
<th>Age 19 years &amp; under %</th>
<th>Age 20 to 24 years %</th>
<th>Age 25 to 44 years %</th>
<th>Age 45 years &amp; over %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td></td>
<td>41,634</td>
<td>93.2</td>
<td>77.4</td>
<td>16.2</td>
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<td>73.0</td>
<td>17.7</td>
<td>8.8</td>
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<td>17.9</td>
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<td>52,135</td>
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<td>70.0</td>
<td>17.3</td>
<td>11.0</td>
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<td>65,399</td>
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<td>64.4</td>
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<td>89.4</td>
<td>62.1</td>
<td>16.7</td>
<td>17.2</td>
<td>4.1</td>
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<table>
<thead>
<tr>
<th>Non-trade occupations</th>
<th>Calendar year</th>
<th>Total number</th>
<th>Full-time%</th>
<th>Age 19 years &amp; under %</th>
<th>Age 20 to 24 years %</th>
<th>Age 25 to 44 years %</th>
<th>Age 45 years &amp; over %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year</td>
<td></td>
<td></td>
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<td>1995</td>
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<td>31.2</td>
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<td>18.9</td>
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<td>212,868</td>
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<td>17.6</td>
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<td>17.5</td>
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<td>17.5</td>
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<td>31.2</td>
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<td>31.0</td>
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<td>35.4</td>
<td>16.6</td>
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<tr>
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<td></td>
<td>199,894</td>
<td>61.8</td>
<td>28.3</td>
<td>16.8</td>
<td>36.7</td>
<td>18.2</td>
</tr>
</tbody>
</table>


Notes specific to this table: The existing worker flag was only introduced to the collection in 2002; therefore data are not available before this date. Unknown data have not been reported, whereas Total includes all contracts. Hence some figures may not sum to the total.

Source: NCVER Report 1 Overview of the Australian apprenticeship and traineeship system 2010
### Differences in durations for selected occupations

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Description</th>
<th>NSNL* (Y/N)</th>
<th>Qualification Name</th>
<th>Nominal duration</th>
<th>Average actual duration</th>
<th>Commencements (Mar 08 to Mar 09)</th>
<th>Age profile at commencement%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boilermaker (welder)</td>
<td>Employees produce metal fabricated products such as structures, frames, plate assemblies, pipe-work and vessels using tools, welding and thermal cutting equipment and fabrication techniques.</td>
<td>Y</td>
<td>Certificate III in Engineering - Fabrication Trade</td>
<td>48 months</td>
<td>37 months</td>
<td>4,531</td>
<td>68% ≤19 years 13% 20-24 years 12% 25-34 years 5% 35-44 years 1% ≥45 years</td>
</tr>
<tr>
<td>Childcare team leader</td>
<td>Child care team leaders direct the activities of child care centres and services.</td>
<td>N</td>
<td>Diploma of Children’s services</td>
<td>24 months (ACT &amp; NSW) 36 months (QLD, SA, TAS, Vic, WA) 48 months (NT)</td>
<td>15 months</td>
<td>3,056</td>
<td>18% ≤19 years 33% 20-24 years 22% 25-34 years 16% 35-44 years 11% ≥45 years</td>
</tr>
<tr>
<td>Childcare assistant</td>
<td>Employees plan activities and provide care to children, facilitating their leisure and play and enabling them to achieve developmental outcomes.</td>
<td>N</td>
<td>Certificate III in Children’s Services</td>
<td>12 months 18 months (NT &amp; Vic) 24 months (ACT &amp; WA)</td>
<td>12 months</td>
<td>5,252</td>
<td>53% ≤19 years 19% 20-24 years 12% 25-34 years 10% 35-44 years 6% ≥45 years</td>
</tr>
<tr>
<td>Dental assistant</td>
<td>Workers may assist a dentist, dental hygienist or dental therapist during all health care procedures, to help maintain high standards of infection control and to assist with practice administration.</td>
<td>N</td>
<td>Certificate III in Dental Assisting</td>
<td>12 months 24 months (WA) 48 months (NT)</td>
<td>11 months</td>
<td>1,001</td>
<td>57% ≤19 years 29% 20-24 years 9% 25-34 years 3% 35-44 years 2% ≥45 years</td>
</tr>
<tr>
<td>Fitness Instructor</td>
<td>Employees design and deliver exercise programs for low risk individuals in a controlled environment such as a gym or fitness centre.</td>
<td>N</td>
<td>Certificate III in Fitness</td>
<td>12 months (ACT &amp; WA) 18 months (SA &amp; Vic) 24 months (NSW &amp; Tas) 48 months (NT)</td>
<td>11 months</td>
<td>201</td>
<td>62% ≤19 years 14% 20-24 years 8% 25-34 years 9% 35-44 years 7% ≥45 years</td>
</tr>
<tr>
<td>Hairdresser</td>
<td>Employees work in a salon offering hairdressing services and retailing home hair care products for women and men.</td>
<td>Y</td>
<td>Certificate III in Hairdressing</td>
<td>48 months 36 months (NSW, QLD &amp; Vic)</td>
<td>29 months</td>
<td>5,535</td>
<td>80% ≤19 years 12% 20-24 years 5% 25-34 years 2% 35-44 years 1% ≥45 years</td>
</tr>
<tr>
<td>Occupation</td>
<td>Description</td>
<td>NSNL* (Y/N)</td>
<td>Qualification Name</td>
<td>Nominal duration</td>
<td>Average actual duration</td>
<td>Commencements (Mar 08 to Mar 09)</td>
<td>Age profile at commencement%</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------</td>
<td>---------------------------------------------</td>
<td>------------------</td>
<td>-------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Motor Mechanic (general)</td>
<td>Light Vehicle Mechanic - employees service and repair the mechanical parts of motor vehicles such as engines, transmissions (clutch, gear box and differential) and suspension system.</td>
<td>Y</td>
<td>Certificate III in Automotive Mechanical Technology</td>
<td>48 months</td>
<td>40 months</td>
<td>6,880</td>
<td>73% ≤19 years 13% 20-24 years 10% 25-34 years 3% 35-44 years 1% ≥45 years</td>
</tr>
<tr>
<td>Picture Framer</td>
<td>Employees assemble picture frames, cut mat board and glass and/or assemble the final product.</td>
<td>Y</td>
<td>Certificate III in Picture Framing</td>
<td>24 months (WA &amp; NSW) 36 months (ACT) 48 months (QLD, SA, TAS, VIC, WA)</td>
<td>27 months</td>
<td>21</td>
<td>33% ≤19 years 17% 20-24 years 17% 25-34 years 22% 35-44 years 11% ≥45 years</td>
</tr>
<tr>
<td>Plumber</td>
<td>Plumbing apprentices install, maintain and repair pipes, drains, cladding, mechanical services and related equipment for water supply, gas, drainage, sewage, heating and cooling and other systems.</td>
<td>Y</td>
<td>Certificate III in Plumbing</td>
<td>48 months</td>
<td>29 months</td>
<td>4,042</td>
<td>68% ≤19 years 17% 20-24 years 11% 25-34 years 3% 35-44 years 1% ≥45 years</td>
</tr>
<tr>
<td>Retail Assistant</td>
<td>1. Employees duties include customer service, operating point of sale equipment, merchandising, balancing the register and minimising theft. Employees will generally be working under supervision. 2. In addition, maintain and order stock, advise customers, organise store display, coordinate work teams.</td>
<td>N</td>
<td>1. Certificate II in Retail Services 2. Certificate III in Retail Services</td>
<td>1. Cert II 12 months 2. Cert III 12 months (NSW and WA) 18 months (NT) 24 months (ACT, QLD, SA, TAS, VIC)</td>
<td>1. 9 months (Cert II) 2. 8 months (Cert III)</td>
<td>1. 9,839 2. 7,530</td>
<td>63% ≤19 years 15% 20-24 years 9% 25-34 years 7% 35-44 years 6% ≥45 years</td>
</tr>
<tr>
<td>Security Guard</td>
<td>Employees usually carry out basic guarding duties such as undertaking foot or vehicle patrols, protecting property and guarding cash in transit. At this level a trainee would be required to operate basic security equipment and perform crowd controller duties.</td>
<td>N</td>
<td>Certificate II in Security Operations</td>
<td>12 months</td>
<td>12 months</td>
<td>431</td>
<td>10% ≤19 years 19% 20-24 years 26% 25-34 years 23% 35-44 years 22% ≥45 years</td>
</tr>
</tbody>
</table>

*NSNL: the National Skills Needs List identifies trades that are deemed to be in National skill shortage based on research conducted by the Department of Education, Employment and Workplace Relations.
## Appendix O: Key stakeholders and services in the Australian Apprenticeships system

### Key stakeholders and services in the Australian Apprenticeships system

<table>
<thead>
<tr>
<th>Component</th>
<th>Regulation and Standard Setting</th>
<th>Training Provision → Training Plan</th>
<th>Intermediaries → Training contract → Registration → Funding → Statistics/Research/Information</th>
</tr>
</thead>
</table>
| **Entity** | • COAG & MCTEE  
• Australian Government  
  Fair Work Aust (FWA) +  
  Fair Work Ombudsman (FWO)  
• State/Territory Governments (State Training Authorities – STAs)  
• Australian Qualifications Framework Council (AQFC)  
• VET Regulator  
• Industry Skills Councils (ISCs)  
• Unions & Industry Associations | • Registered Training Organisations (RTOs) – Off-the-job training  
• Employers – On-the-job training | • State & Territory Governments  
• State Training Authorities (STAs)  
• Australian Government  
• Australian Apprenticeship Centres (AACs)  
• Registered Training Organisations (RTOs)  
• Group Training Organisations – (GTOs)  
• Job Services Australia (JSA) providers  
• Disability Employment Services (DES) providers  
• Industry Organisations |
| **Function** | • Develop national goals  
• Develop and implement policy  
• Put in place legislation to regulate Australian Apprenticeships and training delivery  
• Develop guidelines for qualification levels, qualifications and training delivery  
• Develop Training Packages to meet industry needs  
• Ensure Training Packages stay relevant to industry needs through regular review and update | • Deliver nationally recognised courses and qualifications  
• Deliver training that meets industry needs  
• Provide relevant, up to date, quality off-the-job training  
• Provide quality on-the-job training  
• Liaison between RTO, employer and apprentice  
• Track attainment of competencies e.g. through logbook  
• Develop Training Plan for apprentice and amend as required | • Funding  
• Provision of funding  
• Access to funding  
**Australian Apprenticeships Delivery**  
• Facilitate execution of training contract  
• Approval and registration of training contract  
• Provision of information to the employer and apprentice regarding employment conditions, code of practice, choice of qualifications and RTO, funding for training delivery, personal benefits and incentives  
• Relationship management – employer, apprentice, RTO  
• Visit/Contact apprentice and employer at set milestones  
• Provide support for the apprentice and employer for the life of the Australian Apprenticeship |
| Develop new accredited courses in response to specific demands |
| Determine appropriate qualifications for apprenticeships or traineeship delivery |
| Ensure quality of training is maintained |
| Approve Awards and Enterprise Agreements and establishment of minimum conditions of employment |
| Provide advice on resolution of industrial and workplace related matters |
| As of April 2011, registration and audit of RTOs and accreditation of VET courses (except those in Victoria and Western Australia). |
| Develop new accredited courses in response to specific demands |
| Determine appropriate qualifications for apprenticeships or traineeship delivery |
| Ensure quality of training is maintained |
| Approve Awards and Enterprise Agreements and establishment of minimum conditions of employment |
| Provide advice on resolution of industrial and workplace related matters |
| As of April 2011, registration and audit of RTOs and accreditation of VET courses (except those in Victoria and Western Australia). |
| Assess competencies and validate competence in the workplace |
| Certification on completion of qualification |
| Register on CRICOS to deliver courses & training to overseas students |
| Assess competencies and validate competence in the workplace |
| Certification on completion of qualification |
| Register on CRICOS to deliver courses & training to overseas students |
| Mentoring |
| Pastoral care |
| Mediation and dispute resolution |
| Provide support for out of trade apprentices |
| Data entry |
| Sign off when all competencies attained |
| Confirm completion of Australian Apprenticeship and exit from the system |
| Quality Assurance |
| Monitor quality of training |
| Registration and certification of training packages and qualifications. |
| Registration, monitoring and auditing of RTOs |
| Registration, monitoring and auditing of GTOs |
| Monitor quality of services provided to apprentices and employers |
| Promotion & provision of information |
| Marketing and promotion of Australian Apprenticeships |
| Increase participation in apprenticeships by Indigenous Australians, people with a disability, equity groups, mature aged workers, |
| Establish effective relationships with STAs, JSA & DES providers, GTOs, RTOs and schools |
| Facilitate access and entry to the Australian Apprenticeships system |
| Provide assistance for jobseekers to undertake an Australian Apprenticeships |
| Facilitate connection of prospective employers and prospective Australian Apprentices |
| Employer and apprentice assessment and screening |
| Match apprentice with employer |
| Consult with and advocate for industry and their training needs |
| Provide industry intelligence and advice to Government and enterprises on workforce development and skills needs |
| Undertake annual environmental scans to identify existing and emerging industry skill shortages. |
Appendix P: Specialised Occupations List

Specialised Occupations List criteria

As part of its workforce development strategy Skills Australia developed a new methodology for identifying specialised occupations. The resulting Specialised Occupations List (SpOL) identifies those occupations which satisfy two of the first three of the following criteria.

1. **Long lead-time** - a substantial training commitment is required for that occupation. For example:
   - an apprenticeship requiring 3 years or more full-time to complete
   - vocational education and training requiring more than 1 000 hours
   - university study requiring 4 or more years full-time.

2. **High use** - the skills which people acquire through education and training are deployed for the use intended. For example:
   - there is an above-average match between the course studied and the destination occupation; and
   - there are relatively few people employed in an occupation without the requisite qualifications, i.e.:
     - 70 per cent or more of university graduates who work in the occupation have studied in the same/related field of education
     - 60 per cent or more of employed persons have the requisite level of qualification for their occupation.

3. **High risk** or **high disruption** indicates that the occupation is important for the effective operation of an enterprise and/or the broader economy. For example,
   - occupation has licensing and registration requirements
   - the absence of a particular occupation means that an organisation can’t operate legally
   - the occupation is important to meet government policy priorities.

4. **High information** – The quality of information about the occupation is adequate to the task of assessing future demand and evaluating the first three criteria.
Appendix Q: Summary of the current Australian Apprenticeships Incentives Program

Overview of the Australian Apprenticeships Incentives Program as at 1 January 2011

The objective of the Australian Apprenticeships Incentives Program is to develop a more skilled Australian workforce that delivers long-term benefits for our nation and our international competitiveness.

This is achieved through the provision by the Australian Government of financial incentives to employers who employ and train an Australian Apprentice (apprentice or trainee). The Australian Government also funds a range of personal benefits for Australian Apprentices to encourage retention in, and completion of, their Australian Apprenticeship.

The Australian Apprenticeships Incentives Program contains a range of incentives and personal benefits, including:

- standard incentives
- special and additional incentives and personal benefits where the Australian Apprentice is undertaking an Australian Apprenticeship leading to an occupation listed on the National Skills Needs List
- other special and additional incentives and personal benefits.

Payment of incentives and personal benefits is subject to employers and Australian Apprentices satisfying eligibility criteria as set out in the Australian Apprenticeships Incentives Program Guidelines.

The National Skills Needs List identifies trades that are deemed to be in national skill shortage based on research conducted by the Department of Education, Employment and Workplace Relations. The National Skills Needs List is used to determine eligibility for the following incentives and personal benefits available under the Australian Apprenticeships Incentives Program:

- Rural and Regional Skills Shortage incentive
- Tools For Your Trade payment initiative
- Support for Adult Australian Apprentices.

Standard incentives

Standard Commencement

- $1,250 incentive for an employer who commences an Australian Apprentice in a Certificate II qualification
- $1,500 incentive for an employer who commences an Australian Apprentice in a Certificate III, IV, Diploma or Advanced Diploma qualification.

Standard Recomencement

- $750 incentive for employers who recommence an Australian Apprentice in a Certificate III, IV, Diploma or Advanced Diploma qualification.

Standard Completion

- $2,500 incentive for employers of Australian Apprentices who successfully complete a Certificate III, IV, Diploma or Advanced Diploma qualification.
Special and additional incentives and personal benefits available where the Australian Apprentice is undertaking an Australian Apprenticeship leading to an occupation listed on the National Skills Needs List

Special Rural and Regional Skills Shortages Commencement
- $1,000 incentive for rural and regional employers who commence an Australian Apprentice in a Certificate III or IV qualification leading to an occupation listed on the National Skills Needs List in a non-metropolitan area.

Support for Adult Australian Apprentices
- Australian Government financial support is available for adult workers (aged 25 years or over) to upgrade their skills through an Australian Apprenticeship at the Certificate III or IV level in an occupation listed on the National Skills Needs List
- The payment is made to either the employer or the Australian Apprentice depending on the actual wage paid to the Australian Apprentice
- Payment rates for full-time Australian Apprentices are as follows:
  - $150 per week (up to a maximum of $7,800 per annum) for the first 12 months of the Australian Apprenticeship
  - $100 per week (up to a maximum of $5,200 per annum) for the second 12 months of the Australian Apprenticeship.
- Payment rates for part-time Australian Apprentices are as follows:
  - $75 per week for the first 24 months of the Australian Apprenticeship
  - $50 per week for the second 24 months of the Australian Apprenticeship.

Tools For Your Trade payment
- The Tools For Your Trade payment initiative is available for eligible Australian Apprentices undertaking a Certificate III or IV Australian Apprenticeship leading to an occupation listed on the National Skills Needs List, a Certificate II, III or IV Australian Apprenticeship in an agricultural occupation, and, if in rural and regional Australia, a horticultural occupation
- This payment comprises five tax exempt cash payments paid over the life of the Australian Apprenticeship
- From 1 January 2011, eligible Australian Apprentices who commence or recommence their Australian Apprenticeship on or after 1 January 2009 may be eligible for payments of $800 at the three month point, $1000 at the 12 and 24 month points, $1200 at the 36 month point and $1500 on successful completion of the Australian Apprenticeship
- Eligible Australian Apprentices who commence or recommence their Australian Apprenticeship on or before 31 December 2008 may be eligible for payments of $800 at the three, 12 and 24 month points and $700 at the 36 month point and on successful completion of the Australian Apprenticeship.

Other special and additional incentives and personal benefits

Special Group Training Organisations Completion
- $1,000 incentive for Group Training Organisations that support Australian Apprentices to complete a Certificate II Australian Apprenticeship.

Declared Drought Areas Commencement and Completion
- $1,500 incentive for employers of eligible Certificate II Australian Apprentices who have a current Exceptional Circumstances Drought Area certificate
- $1,500 incentive for employers of eligible Australian Apprentices who successfully complete a Certificate II qualification and who attracted a Declared Drought Areas commencement incentive.
Mature Aged Workers Commencement and Completion

- $750 incentive for an employer who commences an eligible Australian Apprentice in a Certificate II or higher level qualification who is a disadvantaged person aged 45 years or more
- $750 incentive for an employer of an Australian Apprentice who successfully completes a Certificate II or higher level qualification and who attracted a Mature Aged Worker commencement incentive.

Australian School-based Apprenticeships Commencement and Retention

- $750 incentive for an employer who commences an Australian Apprentice in an endorsed Australian School-based Apprenticeship in a Certificate II or higher level qualification
- $750 for an employer who continues to employ a Certificate II or higher level Australian School-based Apprentice after the student has completed secondary School.

Assistance for Australian Apprentices with Disability

- Disabled Australian Apprentice Wage Support provides additional assistance to employers who employ an Australian Apprentice with disability in a Certificate II or higher level qualification
- Disabled Australian Apprentice Wage Support is paid at a rate of $104.30 per week for a full-time Australian Apprentice, and on a pro-rata scale according to the hours worked for a part-time Australian Apprentice
- Assistance for Tutorial, Mentor and Interpreter Services is available to Registered Training Organisations to support Australian Apprentices with disability who are experiencing difficulty with the off-the-job component of their Australian Apprenticeship because of their disability
- Assistance for Tutorial, Mentor and Interpreter Services is paid at a rate of $38.50 per hour (up to a maximum of $5,500 per annum).

Living Away From Home Allowance

- Australian Apprentices undertaking a Certificate II or higher level qualification may be eligible for the Living Away From Home Allowance if they have to move away from their parental/guardian home for the first time to commence or remain in an Australian Apprenticeship, or are homeless
- Australian Apprentices may be eligible for up to 12 months of LAFHA at the first year rate of $77.17 per week, a further 12 months assistance at the second year rate of $38.59 per week, and a further 12 months assistance at the third year rate of $25 per week.

Further Australian Government assistance available for Australian Apprentices

Youth Allowance, Austudy or ABSTUDY

- Australian Apprentices may also be eligible to access fortnightly payments delivered by Centrelink:
  - Youth Allowance for Australian Apprentices aged 16-24
  - Austudy for Australian Apprentices aged 25 and over
  - ABSTUDY for Australian Apprentices of any age and who are Indigenous Australians.
Appendix R: Recommendations

1. Establish a National Custodian to oversee reform that will ensure Australia has a high quality Australian Apprenticeships system that:
   - responds to the needs of the economy
   - supports nationally consistent standards for employment and training of apprentices and trainees
   - focuses on retention and completion of apprentices and trainees
   - supports high quality skill development to ensure all apprentices and trainees have well rounded and highly respected skills required by the economy.

As a first step an independent taskforce should be established to work with the eight jurisdictions to align their systems and develop a framework and process for the establishment of the National Custodian. The taskforce would be led by an independent chair and have a representative from each state and territory government, a union and an employer group.

2. Enhance the quality and effectiveness of the Australian Apprenticeships system by clarifying the roles and consolidating the number of stakeholders in the system, ensuring that services are provided by the most appropriate provider, duplication of service delivery is reduced and administrative processes are streamlined. The National Custodian would ultimately be tasked with this role and will require Australian and state and territory governments – in consultation with industry, unions and other key stakeholders – to work together. In the interim the independent taskforce would progress this work.

3. Establish a formal accreditation process for the pre-qualification and training of all employers of apprentices and trainees to ensure a nationally consistent minimum standard of high quality employment and training is provided. In addition establish an Excellence in Employment Scheme to recognise and reward those employers who have consistently demonstrated their commitment to excellence in training apprentices and trainees.

4. Establish structured support for employers to provide high quality employment and workforce development experiences for eligible apprentices and trainees. The focus of Australian Government support should be on assisting employers to provide high quality on-the-job and off-the-job training through support services such as mentoring and pastoral care.

5. Redirect current Australian Government employer incentives to provide structured support services to eligible apprentices and trainees and their employers in occupations that are priorities for the Australian economy. While a wide range of occupations should be trained through apprenticeship and traineeship pathways, Australian Government support should focus on occupations that have tangible and enduring value for the economy – both in the traditional trades and the newer forms of apprenticeships and traineeships, such as community services, health services and information technology.

6. Reinforce the need for a shared responsibility for the Australian Apprenticeships system by establishing an Employer Contribution Scheme in which employer contributions will be matched by the Australian Government. Employers who meet defined benchmarks for training and support of eligible apprentices and trainees would have their contribution rebated, either in part or in full.
7. Facilitate a cooperative and flexible approach by governments and industry bodies to allow for the continuation of both training and employment of apprentices and trainees during periods of economic downturn. Early intervention should be a key element of this approach. Support for a range of measures to be in place until economic recovery occurs could include:
   - reduction of work hours offset by additional training
   - increased off-the-job training
   - placement with other employers within the industry
   - increased mentoring and support.

8. Formally regulate the quality of VET in Schools within the VET system to enhance the consistency and quality of training across all jurisdictions and to recognise the potential of VET in Schools as a pathway into an apprenticeship or traineeship.

9. Increase national consistency in preparatory training by directing the National Quality Council to develop definitions for pre-apprenticeship and pre-vocational training.

10. Provide additional support for apprentices and trainees who face specific challenges, such as:
    - Indigenous Australians
    - disability
    - located in regional or remote Australia
    - having poor language, literacy and numeracy skills.

    Australian Government support will be provided to these apprentices, trainees and their employers to assist in overcoming barriers to participation and completion of their apprenticeship or traineeship. Support will be through the provision of tailored structured support services and the continuation of some current Australian Government employer incentives.

11. Implement a strategy to raise the status of apprenticeships and traineeships including promotion as a valued career choice for both males and females. This should be led by the Australian Government, in consultation with state and territory governments, industry bodies and unions. The National Custodian, when established will lead the ongoing effort to raise the status of apprentices and trainees.

12. Promote a culture of competency based progression in apprenticeships and traineeships, in partnership with industry bodies and employers. Additionally, a greater acceptance and achievement of competency-based wage and training progression should be supported by all stakeholders.

13. Improve the implementation of Recognition of Prior Learning and Recognition of Current Competence and support provisions for such recognition in modern awards to ensure that flexibility and mobility are supported.

14. Support a review of apprenticeship and traineeship provisions, wages and conditions by Fair Work Australia, considering:
    - the removal of barriers to competency based wage progression in modern awards
    - apprentice and trainee award pay compared to going rates of pay
    - age, diversity and circumstances of commencing apprentices and trainees
    - allowances (travel, tools, clothing, course fees)
    - cost to apprentices and trainees of participation in an Australian Apprenticeship
    - part-time and school-based arrangements
    - recognition of pre-apprenticeship and pre-vocational programs
    - supervision ratios for apprentices and trainees.