Industry Specialist Mentoring for Australian Apprentices

Consultation Paper Response

By the

National Australian Apprenticeship Association

Background

The $60 million Industry Specialist Mentoring for Australian Apprentices (ISMAA) program was announced by the Government in the 2017-2018 Budget.

The program complements other Australian Government support for apprentices, trainees and their employers through the Australian Apprenticeships Incentives Program, Trade Support Loans and the Australian Apprenticeship Support Network (AASN).

The Department is seeking information from industry stakeholders to help inform the design of the program. This paper provides that feedback on behalf of the members of the National Australian Apprenticeships Association (NAAA)

Program design risks

ASSN Providers offer mentoring services as part of the "In-Training" component of their targeted services. The unit price for these services is roughly half that of the ISMAA program and the places are limited. So, the Association welcomes the additional investment in mentoring effort announced in the Budget. When implemented effectively it will complement and extend the total mentoring effort and improve completion rates.

There are a number of risks to account for in the design of ISMAA:

- **The contract duration is short.** The program is funded for 2 years from 1st July 2017. Allowing for a contracting and start up period this will effectively mean an intake period of around 8 months if all activities need to be concluded by June 30th 2019.
- **45,000 apprentices need to be assisted.** This is more than double the annual intake under the previous Australian Apprenticeships Mentoring Program (AAMP).
- **This will require a workforce of 800 Mentors.** Based on the ratios under AAMP[1]
- **Overcrowding and duplication needs to be avoided.** So that employers and apprentices are provided with a seamless service.
- **Eligibility by industry status**. In past programs, it's been largely the Apprentice's needs that have determined eligibility for support rather than "structural change" criteria.
- **Referral arrangements take time to establish properly**. This will be exacerbated by competition for available eligible apprentices.
- **A clear definition of "structural change" is required**. A definition needs to be agreed that provides clarity for all stakeholders.
- **Effectiveness measures need to reflect the agreed service delivery models**. Completion data will not be available until 12 to 24 months after the program ends for traditional trades for example.

[1] For example, 330 mentors were employed for 10,000 mentees per year under AAMP

Lessons learned from previous Mentoring programs

For a Mentoring program to be effective it's important to understand the nature of support that is being provided. Apprentices drop out for a broad range of reasons. A recent NCVER study is particularly helpful in understanding these reasons:

Table 1. Grouping the reasons for non-completion

Main reason	In a trade occupation
	%
Problems with the employment experience	**33.4**
Did not get on with boss or other people at work	16.2
Poor working conditions	3.1
The pay was too low	8.7
Was not happy with the on-the-job training	5.4
Didn't like the type of work or industry	**16.9**
Did not like the type of work	10.2
Not happy with the job prospects in the industry	3.6
Transferred to another apprenticeship/traineeship	3.1
Doing something different/better	**14.6**
Left job or changed career	9.4
Got offered a better job	3.3
Left to study elsewhere	1.9
Lost job/discontinued	**12.1**
Lost job or made redundant	8.9
Apprenticeship cancelled or discontinued	3.2
Off-the-job training problems	**2.8**
Was not happy with the off-the-job training	1.4
Found the study too difficult	1.4
Other reasons	**20.2**
Personal reasons	10.0
Other reasons	10.2
Total	**100.0**

[2]

In the ISMAA program apprentices will be chosen from industries undergoing structural change. Presumably this means either declining rapidly of growing rapidly. The table above shows that concern about job prospects in the industry is a relatively minor concern (3.6% of the reasons for non-completion) by comparison to experiencing problems with colleagues (16.2%) or other reasons (20%) many of which involve mental health issues which require a sophisticated mentoring approach to deal with appropriately.

This is why Deloitte Access Economics recommended a best practice framework for Mentoring programs that has the following elements:

"The most effective… models of engagement between mentors and mentees are built on four key elements: (1) initial face-to-face meeting(s) to develop rapport and trust, (2) a risk assessment tool to establish a mentoring plan, (3) flexibility in the modes and timing of

[2] NCVER 2014 Understanding Non-completion of Apprentices

contact, and (4) a minimum level of contact (via any mode) to maintain the relationship between mentor and mentee" [3]

A key success factor is the ability to tailor the mentoring program based on the risk factors that become apparent during the assessment phase and as the apprentice progresses. The ability to respond quickly and effectively is more important than providing a standard 6 hours of support across 12 months.

Some apprentices will need many more hours of support than this and some less. But in all cases the approach needs to be rigorous, resourced appropriately and responsive to the evolving needs of the apprentice.

It may be better for ISMAA providers to have developed a mentoring plan and to keep file notes about how that plan is being implemented. In aggregate, the various streams of support should average 6 hours of support per person across the mentee cohort.

Clarity about the difference between contract completion levels and individual completion levels is also important when designing the effectiveness criteria for ISMAA. Table 2 highlights the spread of individual completion rates by industry sector. A high adjustment factor demonstrates the level at which apprentices complete their trade with more than one employer. Compare hairdressers (1.43) where nearly half of apprentices work for two or more employers to complete their apprenticeship, with Horticulture workers (1.09) who mostly need only one employer to complete their qualification.

Table 2. Contract and individual completion rates, based on a recommencement factor, for trade occupations commencing in 2007

Occupation (ANZSCO) group	Average annual adjustment factor	Contract completion rate (%)	Individual completion rate (%)
Technicians and trades workers	1.24	45	55
31 Engineering, ICT and science technicians	1.03	59	61
32 Automotive and engineering trades workers	1.20	49	58
33 Construction trades workers	1.30	44	57
34 Electrotechnology and telecommunications trades workers	1.23	55	68
35 Food trades workers	1.40	28	39
36 Skilled animal and horticultural workers	1.09	45	49
39 Other technicians and trades workers	1.21	43	52
391 Hairdressers	1.43	39	55
392 Printing trades workers	1.06	58	62
393 Textile, clothing and footwear trades workers	1.11	45	50
394 Wood trades workers	1.21	40	48
399 Miscellaneous technicians and trades workers	1.03	57	59
Total trade occupations	**1.24**	**45**	**55**

[4]

This also has implications for how apprentices are targeted for support and how this support is continued when they move employers. Being able to "follow the apprentice" will be a significant design consideration when assisting apprentices in industries experiencing structural decline. Around 9% of apprentices fail to complete their apprenticeship because they lose their job due to redundancy.

[3] Deloitte Access Economics 2014 AAMP Interim Evaluation

[4] NCVER 2014 Understanding Non-completion of Apprentices

A third important consideration are the different completion rates achieved by employers of different size and sophistication. Table 3 highlights the importance of targeting the mentoring support to small and medium enterprises – particularly those undergoing disruption to their business model

Table 3. Summary of the characteristics of employers with low, medium and high retention rates

	Completion rate		
	Low (<50%)	Medium (50–69%)	High (70%+)
Business characteristics	Generally have 1–15 employees In operation for under 5 years No HR department Financial incentives are seen as important Usually employ one apprentice at a time Tend not to be influenced by industry bodies and do not seek outside advice	Generally have 1–15 employees Have someone to help out with HR matters Financial incentives are seen as less important Usually employ 2–3 apprentices at one time More likely to be influenced by industry bodies and outside advice	Generally have 50+ employees In operation for 10 years or more Have a HR department Financial incentives are seen as less important Usually employ several apprentices at one time More likely to be influenced by industry bodies and outside advice

[5]

Although larger employers experience higher completion rates, most apprentice employers are not large. Karmel and Roberts (2012) found that 63% of employers have only one apprentice; 20% had two apprentices, and just 17% had three or more apprentices. Further, employers with one apprentice accounted for 25% of all apprentices, and employers with up to three apprentices accounted for 50% of apprentices.

Finally, a number of other key insights into the AAMP program evaluation were foregrounded in the Deloitte Access Economics report. They include:

- **"Access to Australian Apprentices.** A key contributor to provider efficiency, particularly in the early stages of the project, is access to apprentices. AACs hold a clear advantage in this.

- **Contact models:** the key elements of an effective contact model (i.e. risk-based flexible contact with a minimum threshold) should be adopted in a best-practice approach.

- **Interdependence of services**: mentoring should not operate in isolation, with a strong network of services required to support AAs. In particular, these services should be coordinated with other government-funded activities. An assessment of the coverage of related services provided, both geographically and across industries, could assist.

- **Best practice**, although the review supports the introduction of more explicit guidelines around the provision of mentoring …. services, these guidelines should be focused on enabling providers to implement best practice, rather than restricting them from making decisions based on local context

[5] BVET 2011 Apprentices and their Employers in NSW

Structural change

ISMAA is unusual in that it is designed around industry sectors experiencing structural change rather than just targeting specific cohorts of apprentices in need of mentoring support.

The program envisages supporting both Industries in structural decline and those undergoing a growth phase. One way to look at this is by examining the change in employment levels in each industry type.

Table 4. A snapshot of changing industry employment patterns between 2010 and 2015

Employment by Industry - Five Year Time Series					Defined
Industry	**Nov-15**	**Nov-10**	**Difference**	% change	change
Agriculture, Forestry and Fishing	311,400	355,100	-43,700	-12%	rapid decline
Mining	227,300	187,300	40,000	21%	rapid growth
Manufacturing	888,600	978,700	-90,100	-9%	rapid decline
Electricity, Gas, Water and Waste Services	145,400	141,000	4,400	3%	
Construction	1,030,900	998,600	32,300	3%	
Wholesale Trade	383,400	411,300	-27,900	-7%	rapid decline
Retail Trade	1,242,300	1,182,800	59,500	5%	Increase
Accommodation and Food Services	822,900	736,700	86,200	12%	rapid growth
Transport, Postal and Warehousing	610,200	571,300	38,900	7%	increase
Information Media and Telecommunications	212,900	211,300	1,600	1%	
Financial and Insurance Services	417,000	393,600	23,400	6%	increase
Rental, Hiring and Real Estate Services	206,900	191,800	15,100	8%	increase
Professional, Scientific and Technical Services	992,100	841,800	150,300	18%	rapid growth
Administrative and Support Services	411,100	383,500	27,600	7%	increase
Public Administration and Safety	731,600	688,400	43,200	6%	increase
Education and Training	934,800	839,800	95,000	11%	rapid growth
Health Care and Social Assistance	1,495,000	1,232,400	262,600	21%	rapid growth
Arts and Recreation Services	227,000	190,300	36,700	19%	rapid growth
Other Services	479,000	455,400	23,600	5%	increase
	11,769,800	10,991,100	778,700		

6

Possible definitions for structural change for ISMAA could include:

- Industries in rapid structural decline, where the workforce has fallen by more than 7% in the last five years.
- Industries experiencing some decline, where the workforce has fallen by between 1% and 7% in the last five years.
- Industries experiencing rapid structural growth, where the workforce has increased by more than 10% in the last 5 years
- Industries experiencing some growth, where the workforce has increased by between 5% and 9% in the last 5 years
- Small and Medium Enterprises experiencing disruption to their business models

[6] ABS 2016 Labour Force, Australia December 2015

Recommended solutions

The NAAA recommends the following solutions to address the design risks in the program.

1. Adopt a broad definition for industries undergoing structural change to allow the program to support many industries
2. Allow the structural change definition to include Small to Medium Enterprises (SMEs) that have had their business model disrupted. This will capture a large number of apprentice employers that may otherwise be excluded
3. Adopt the best practice Mentoring approach recommended by Deloitte Access Economics in their review of the Australian Apprenticeships Mentoring Program
4. Allow an intake period of 18 months with a 12-month tail of support. This will provide the best opportunity for 45,000 apprentices to be commenced in the program.
5. Providers must show through the procurement process how they will attract, train and deploy the Mentor workforce in line with program timeframes. Preference should be given to providers with Mentors already employed and available.
6. Have Apprenticeship Support Network Providers identify industry eligible apprentices currently accessing “In-Training” support and “top up” their mentoring effort to the ISMAA level. This will provide equity of service levels and a fast start to the program.
7. Providers must demonstrate how they will meet the commencement targets through orderly referral agreements. This will avoid duplication and confusion.
8. Allow providers to nominate a higher than average unit price to service rural and regional apprentices. Fund this from the lower than average unit price achieved by “topping up” eligible apprentices already receiving In-Training support
9. Contract an indicative business level from providers with the ability to draw down half yearly tranches paid in advance. But only being able to draw down a subsequent tranche when the previous one is exhausted. This flexible market driven approach will reward those providers that can meet commencement targets
10. Any unallocated places in the final tranche can be redirected to In-Training support places to be used during the 12 months “tail” period.

These solutions would address the design risks as illustrated in Table 5 below.

Finally, we recommend a co-design session with the Department and Network Providers that explores a range of technical issues around implementation timeframes, privacy issues, referral processes and performance metrics.

Table 5. Strategies to address ISMAA program design risks

Risk \ Response	Broad definition of structrual change	Include disrupted SMEs	Best practice mentoring	18 month intake, 12 month tail	Available Mentor workforce criteria	Top -up eligble In- Training apprentices	Referral agreement criteria	Higher rural and regional unit price	6 monthly contract tranches	Redirect to In-Training
Short contract duration	✓	✓		✓	✓	✓	✓		✓	✓
High numbers to be assisted	✓	✓		✓	✓	✓	✓	✓	✓	✓
800 Mentors required			✓		✓	✓				✓
Overcrowding and duplication			✓		✓	✓	✓	✓		✓
Eligibility by Industry Status	✓	✓	✓			✓				
Referral arrangements take time to establish					✓		✓	✓		✓
Clarity about definition of striuctural change	✓	✓	✓					✓		
Effectiveness meausres needs to reflect the service delivery model				✓					✓	✓