

# Skilling Australians Fund Implementation Ideas Paper

By the



**National Australian  
Apprenticeship Association**

## **Background**

Assistant Minister Andrews convened a Roundtable of the Australian Apprenticeship Support Network providers on 24<sup>th</sup> May 2017. The Roundtable discussed on how Network Providers will support the implementation of the Skilling Australians Fund announced in the Federal Budget. This paper provides some initial ideas about how this might be done; the root causes that need to be addressed, the barriers that will need to be overcome and the potential role of Network Providers.

## **Principles**

The Skilling Australians Fund should consider taking a principles based approach to the assessment of projects. Successful projects should meet most or all of the following principles:

- Strengthen the employment relationship between the employer and apprentice
- Unlock demand for apprenticeships by meeting industry needs
- Build on the strengths of the support system and avoid duplication
- Adapt to changing labour market conditions
- Policy alignment that encourages collaboration and has longevity
- Are outcome focused and have a strong evidence base that they will improve completion levels

These principles can underpin a high functioning apprenticeship sector and should guide the design of projects.

## **Project types**

Network Providers identified a number of project types that are likely to have a positive impact on commencement and completion levels. These include projects that:

1. Improve the return on investment for employers of apprentices
2. Remove barriers to participation by potential apprentices
3. Adapt contracts of training to new patterns of employment
4. Reward quality RTOs for servicing thin markets in regional and rural Australia
5. Remove caps on training funds in priority areas
6. Strengthen the support services that drive commencements
7. Increase opportunities for existing workers to be upskilled
8. Refocus contestable training funds towards demand driven apprenticeships
9. Enhanced support for rapidly growing sectors of the workforce
10. Industry focused training approaches that optimise apprentice productivity and minimise time off the job

Examples of the specific types of projects that may fall under each category are provided at [Annexure 1](#).

## **A high functioning VET sector**

Over the last 20 years the Australian Apprenticeship system has been recognised internationally as World Class. Currently 1.6 million people hold a trade qualification that equates to around 15% of the workforce. Since 2000 an average of 3.8%<sup>1</sup> of the workforce have been undertaking an apprenticeship or traineeship at any point in time.

The factors that contributed to this included:

- An offer of an Apprenticeship or Traineeship job triggered an automatic entitlement to a funded Training Contract
- Strong uptake by small and medium enterprises of Trade Apprentices
- Broad based uptake of Traineeships to meet non trade entry level training
- Initially generous employer incentive regime
- The introduction of a national system of competency based training and national Training Packages.
- The development of a training market where the Public Provider remained strong enough to service thin markets in regional and rural Australia
- Low cost of enrolment fees for apprentices and their employers
- A national network of support agencies that assisted employers and promoted the benefits of apprenticeships and the available incentives
- Group Training Companies that enabled primarily small businesses to outsource the employment of their apprentice and defray the employment risk
- RTOs that actively marketed apprenticeships and traineeships as part of their business model
- Strong recognition by parents of the value of a trade pathway for their children
- Strong support by employers for Traineeships delivered primarily on the job
- A national training wage system that provided a low entry level wage structure

## **Factors behind decline of Apprenticeship commencements**

In recent years “In training” apprenticeship levels have declined to 2.3% of the workforce. There is a complex interplay of factors that have contributed to this. It’s important to understand these so that the design of projects under the Skilling Australians Fund adequately addresses the factors that caused the decline. They include:

- Changing patterns of employment, the relative decline of manufacturing and the end of the mining construction boom
- Reduction in employer incentives for some types of qualifications and freezing incentives at 20<sup>th</sup> century levels for the balance
- Modern Award increases of apprentice wages

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<sup>1</sup> NCVET 2017 Apprentice and trainee 2016 September Quarter

<sup>2</sup> NCVET 2017 The changing nature of apprenticeships: 1996-2016

- Low investment in the VET system by comparison to Schools and Higher Education by successive governments
- Substantially increased VET enrolment fees as a result
- Removal of Tools for your Trade allowance for apprentices and replacement with a loan scheme
- Uncapped university places and a resulting decline in ATAR levels required to commence a degree
- A larger proportion of young people choosing a Higher Education rather than VET pathway (with higher levels of non completions in Higher Education as a result)
- Policy settings that drove down the unit price paid to Registered Training Organisations to deliver apprenticeship training. Often below the point where it will fund the volume of learning required by the national standards
- Weakened Public Providers unable or unwilling to service thin training markets in regional and rural Australia
- Training delivery approaches not keeping pace with Industry requirements
- Focus on Skill Sets rather than full Traineeships
- End of the federal commitment to the Joint Group Training Policy
- Shorter duration of trade apprenticeships reducing return on investment that many small businesses relied on through the 4<sup>th</sup> year.
- Rise in the school leaving age with school leavers commencing apprenticeships at a correspondingly older age
- VET Fee Help changed the business development focus of many RTOs away from promoting apprenticeships
- The VET sector has lacked a long-term national policy approach by comparison to countries like Germany where apprenticeships are consistently supported no matter which government is in power.
- Reduction in the Apprenticeship Support funding envelope from \$300m to \$200m in 2014

In short a complex sequence of false economies and under investment in apprenticeships compounded by the unintended consequence of the contestable training market shifting training effort away from apprenticeships. This allowed states and territories to have better control of their training budgets by having a smaller proportion that was driven by demand for apprenticeships. Asking jurisdictions to relinquish this budget control is likely to be a key barrier for the implementation of the Fund.

At the same time parents have seen this relative decline and inconsistent approach and are now more reticent to advise their children to take a VET pathway.<sup>2</sup>

Rapidly falling numbers of young apprentices has been offset to some extent by the increase in adult apprentices, which have grown over the last 20 years from 8% to 28% of trade apprentices and from 22% to 45% for non-trades.

However, this also highlights the value of the apprenticeship system in supporting career transitions that are anticipated to become more prevalent.

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<sup>2</sup> NCVET 2017 The changing nature of apprenticeships: 1996-2016

## Factors that contribute to low completion levels

Apprenticeships are an employment arrangement that progressively builds the skills of an entry-level worker on the job. It's how many people like to learn and it's in the employers' interests to instruct the worker about how they want the job performed. That is why apprenticeships have endured for several hundred years and why formal training was built around the approach.

The primary reason that apprentices do not complete their apprenticeship is because the employment arrangement breaks down.

This can happen in a number of ways that it is important to understand if we are to return to historical completion levels. They include:

- The employment relationship fails to provide a “fair deal” for the apprentice or their employer<sup>3</sup>. For example where apprentices are not provided with the opportunity to learn the skills they need or where the employer does not recruit an apprentice that meets their requirements
- Poor recruitment practice by small trade based businesses
- Inadequate levels of support for young apprentices during their journey from adolescence to adulthood
- Market or contract changes that result in lower levels of available work or the business closure.
- Lack of contemporary work practices by some small businesses
- Safety, bullying or harassment issues
- Lack of apprentice aptitude for the role
- Availability of better paid alternative work at the Minimum Wage
- Disparity between the duration required to complete a Cert III Trade qualification and any other Cert III VET qualification
- The Training Contract is no longer an indenture arrangement and is easier to get out of
- Many employers are now conditioned to lower completion levels and are sanguine about finding a replacement apprentice
- For many apprentices it's a rational decision not to complete their apprenticeship where there are “fairer deals” to be had elsewhere and this is just the first of many career changes they will be expected to make.

It's for the combination of these reasons that the Australian Apprenticeship Support Network was established. Network Providers offer universal and targeted services that will over time improve completion levels. However, as with other areas of VET the focus on driving down unit costs has placed constraints on the number of Australian Apprentices that can receive targeted services and the duration for which they can receive them.

One way that Network Providers can support the implementation of the Skilling Australians Fund is by enhancing the quantum and duration of the targeted services that they provide. This could be achieved through a modest funding increase and by providing access to the Industry Specialist Mentoring Program.

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<sup>3</sup> BVET 2010 A fair deal, apprentices and their employers in NSW

## Aspiration for the Skilling Australians Fund

The Skilling Australians Fund aims to increase the number of apprentices by 300,000 over the next 4 years. Given the fact that state and territory governments have budgets and strategies set for 2017-18 the likely trajectory could be as shown in this diagram.

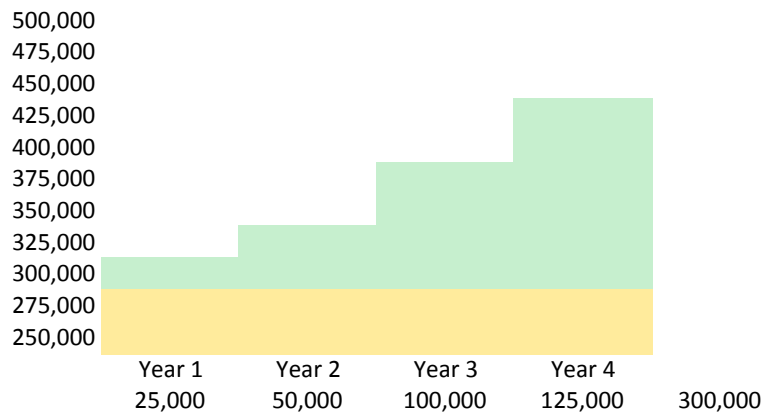


Diagram 1 Annual increase in apprenticeships through the Skilling Australians Fund

In September 2016 there were 278,500 apprentices and trainees, which is 2.3% of the 12,071,300 people in the workforce<sup>4</sup>. The aim of the Fund is to return apprenticeships to 2012 levels when 446,700 apprentices and trainees were in training. By 2021 this is likely to be around 3.5% of the workforce assuming similar growth levels to the last decade:

Year	Apprentices and trainees in-training ('000)	Employed persons ('000)	Apprentice and trainee training rate (%)
2004	386.7	9 807.8	3.9
2005	390.3	10 074.7	3.9
2006	395.2	10 404.3	3.8
2007	403.9	10 710.1	3.8
2008	414.4	10 915.6	3.8
2009	409.9	11 010.9	3.7
2010	434.6	11 295.0	3.8
2011	443.7	11 354.4	3.9
2012	446.7	11 516.4	3.9
2013	386.9	11 551.0	3.3
2014	316.3	11 748.2	2.7
2016	278.5	12 071.3	2.3

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It will take a sustained and coordinated effort to arrest the decline of recent years. The Fund must accurately address the drivers for the decline and respond to emerging employment patterns.

<sup>4</sup> ABS <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>

<sup>5</sup> NCVET 2015 Apprentices and Trainees 2014 December quarter

## **Barriers to smooth implementation of the Fund**

At the Roundtable meeting last week Network Providers identified the following potential barriers:

- Budget constraints of some State and Territory governments
- Jurisdictional training strategies and budget are already in place for 2017-18
- End of the previous National Partnerships Agreement with a flow on effect to initiatives that have not yet been completed but may remain a priority
- The States and Territories requirements to fund the additional training places stimulated by the Fund and may be reluctant to have a greater proportion of their training budget driven by demand for apprenticeships
- The relative weakness of the economy in some jurisdictions by comparison to the well performing economies in NSW and Victoria
- Weakness of the Public Providers' ability to respond to thin training markets in regional and rural Australia
- Network Providers low level of resourcing to support the implementation of the Fund other than through contracted universal and targeted services
- Duplication of support programs for apprenticeships which confuses employers
- Duplication of training programs through state based contestable markets such as the Queensland Guarantee and the NSW Entitlement Fund

## **Addressing the barriers**

Some of the high level issues are significant and intractable. It will take a whole of government approach to resolve weaknesses within the economy of certain jurisdictions for example.

However, Network Providers suggested a number of strategies that may assist to overcome the other barriers. They include:

- Building consensus around refocusing the VET system on apprenticeships with the aim of them constituting 25% of the total VET effort once more
- Providing examples of the types of projects or policy settings that are likely to have a positive impact
- Encouraging linkages with other Federal Programs such as the Youth PaTH program that might otherwise draw employers away from Traineeships by offering higher incentives
- Showcase the changes in States with better performing economies and get them to champion how a refocused apprenticeship system can support a growing and evolving workforce
- Get agreement on the reasons for declining apprenticeship commencements and completion levels and the principles that will guide approval of the project (suggested above)
- Be realistic about the trajectory for increasing apprentice numbers and seek projects that will be implemented across the first four years of the Fund's operation. This will allow time for RTOs to refocus their business models appropriately and work in collaboration with Network Providers as the sales force for the Fund's initiatives

## Role of Network Providers

Network Providers are strongly supportive of the Federal Government's aspiration to create an additional 300,000 apprenticeships over the next 4 years.

Network Providers will actively support the implementation of the Fund in the following ways:

- By working with government to lift the profile of apprenticeships and making it a "badge of honour" to undertake an apprenticeship
- By highlighting the return on investment an apprenticeship can provide to individuals, for example the median full time income for a VET graduate is currently higher than a graduate salary for a bachelors degree<sup>6</sup>
- Offering enhanced mentoring by linking the In-Training service with the Industry Specialist Mentoring Program, either by topping up funding for an existing eligible apprentice or extending mentoring services to current employers serviced by the Network Provider and that are eligible for the program. Doing this to maintain continuity and avoid duplication.
- Using the current meeting frameworks with state and territory agencies to support the development and implementation of projects to the Fund
- Facilitating project development ideas and brokering local involvement of employers.
- Promoting the projects in each jurisdiction and providing local advice about how employers can become involved.
- Encouraging RTOs to refocus their business models on apprenticeships by making them aware of the opportunities provided by the approved projects. Place a high priority on coverage of thin markets in regional and rural areas

Network Providers have multiple touch points with 100% of the apprenticeships in Australia. The National Australian Apprenticeship Association can assist to collate this ongoing market intelligence in ways that will improve the effectiveness of the Skilling Australians Fund.

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<sup>6</sup> Skilling Australia Foundation 2017 Perceptions Are Not Reality



## **Annexure 1**

## **Examples of Project Types**

### **1. Improve the return on investment for employers of apprentices**

Examples of these types of projects could include:

- Enhanced levels of support for small and medium enterprises in priority industries or regions. This could take the form of increased employer incentives that match those available under the Youth PaTH program
- Provide additional support to employers that commence a young apprentice either by guaranteed access to ASSN targeted services or through additional employer incentives
- Additional support to enable apprentices to complete their full fourth year, perhaps by funding a related Cert IV training program for those apprentices in the final year
- Uncap In-Training places offered by Network Providers to improve the completion levels for employers
- The Fund to cover the enrolment fees currently paid by employers in priority areas
- Provide workers compensation insurance for apprentices

### **2. Remove barriers to participation by potential apprentices**

Examples could include:

- Reintroduce a tools for the trade allowance that scales up based on the relative disadvantage of the apprentice
- Uncap the Gateway services offered by Network Providers so that all apprentice candidates and their potential employers get assistance to find the right apprenticeship
- Provide a scholarship scheme for apprentices in regional and remote areas that covers the full cost of travel and accommodation to attend their training

### **3. Adapt contracts of training to new patterns of employment**

Examples could include:

- Extending part time traineeship arrangements to seasonally based industries where an employee has worked the equivalent of at least a half time role over the last 12 months and has a continuing offer of employment. Provide a study skills allowance to the employee to complete their training outside peak employment periods. For example an employee in the tourism industry in Port Douglas who works full time during the peak season, part time during the shoulder seasons, and studies during the wet season.
- Supporting self employed contractors to retrain in priority areas. For example a youth worker who contracts to a supported accommodation charity may also want to provide in home services for another agency under the NDIS. A project to fund the relevant Traineeship and enable them to reduce their underemployment. The Training Contract may need to use their own ABN.

#### **4. Reward quality RTOs for servicing thin markets in regional and rural Australia**

Examples could include:

- Topping up state based apprenticeship rates to ensure that the volume of learning requirements can be met for small class sizes in regional and remote areas.
- Providing travel assistance for trainers and assessors to service remote areas with face to face provision
- Reimbursing organisations that develop a workforce development plan for a medium or large regional business which leads to additional apprentices and trainees being employed

#### **5. Remove caps on training funds in priority areas**

Examples may include:

- Some jurisdictions have capped activity in some priority areas such as Hospitality or Tourism. Use the Fund to effectively meet the demand in the market
- Some jurisdictions have reduced the rates paid to training providers for some Traineeships that are now in national priority areas. Use the Fund to co-fund the full cost of delivery in line with volume of learning requirements

#### **6. Strengthen the support services that drive commencements**

Examples may include:

- The Australian Apprenticeship Support Network is a very strong basis on which to expand apprentice commencements and completions. Future funding considerations should focus on eliminating caps on targeted services increasing the quality of these services and removing duplication with state and territory programs.
- A national program of pre-apprenticeships provided by organisations that can guarantee employment outcomes in priority areas
- A business development fee paid to organisations that introduce a new employer to the apprenticeship system
- Accurate information to schools about pathways between University and VET to better inform career advice

#### **7. Increase opportunities for existing workers to be upskilled**

Examples could include:

- Existing worker traineeships in priority areas supported by incentives that reward ongoing retention in the industry
- Peer to peer career advice provided by graduates of existing worker traineeships – “refer a friend” type reward and recognition
- Fund a workforce development planning service provided for companies that want to play an active role in the career transitions of their staff

## **8. Refocus contestable training funds towards demand driven apprenticeships**

Examples could include:

- An agreement to recalibrate contestable funding arrangements in a jurisdiction so that at least 25% of VET effort is directed to apprenticeships
- An agreement to pilot higher-level apprenticeships in the place of lower level skill sets.

## **9. Enhanced support for rapidly growing sectors of the workforce**

Examples could include:

- Bundling up some of the measures outlined above and applying a multiplier to support levels for specific skill shortage areas. The rapidly growing workforce required for the NDIS and Health sector could benefit from an industry specific program
- Funding an in house apprentice master for rapidly growing organisations with medium or large workforces that will employ more than 10% of the workforce as apprentices. Their focus would be to entrench a training culture as part of the rapid expansion of organisations in growth sectors

## **10. Industry focused training approaches that optimise apprentice productivity and minimise time off the job**

Examples could include:

- Pre-apprenticeships that deliver the first full year of apprentice training prior to the employment placement, with guaranteed jobs available for pre-apprentice graduates
- Fully funding the travel and accommodation costs for apprentices to attend intensive block release programs that minimise time off the job across the rest of the year
- Fund the development and piloting of blending learning approaches that incorporate a greater role for workplace supervisors in the assessment of formal training. With the aim of concentrating as much of the learning on the job as possible

There is agreement across Network Providers about the application of the principles suggested for the Fund and for the project types that could be explored to address the underlying causes of the decline in apprenticeship numbers. The project examples provided above are indicative only and are likely to have broad support where specific projects clearly articulate how the principles are to be applied.

The National Australian Apprenticeship Association can assist in the implementation of the Fund by providing information on the evidence base and real time market intelligence to support the success of projects.