

Australian Apprenticeship Support Network

Enhancing the efficiency and effectiveness of the AASN model

By the



**National Australian
Apprenticeship Association**

Background

This paper presents the combined views of Association members about how the efficiency and effectiveness of the AASN model can be improved. It also responds in part, to the key findings of the Evaluation of the AASN Model. This paper seeks to advance the discussion about practical measures that can be taken to improve the alignment of the model with the current policy intent.

The Association has developed a whole of AASN market financial model that underpins the ideas canvassed in this paper. We seek to use this paper as a means for constructive dialogue in the further refinement of the AASN model.

High level aims

In framing the ideas and recommendations in this paper the Association based its work around achieving the following aims:

- (i) Support federal policy to expand commencements
- (ii) Continue to drive higher completion levels
- (iii) Support employers to develop a highly skilled workforce
- (iv) Provide quality support for apprentices and trainees
- (v) Improve the effectiveness and efficiency of the support network
- (vi) Placing apprenticeships at the centre of VET reform

Issues to resolve

Network Providers report very strong support for the model overall. High levels of support from all other stakeholders were also reported in the AASN Evaluation¹.

However, there are a number of issues that need to be addressed in the second AASN contract if the model is to reach its full potential. They are:

- The focus through the last contracting process on driving down unit prices has delivered false economies. Weakening contract viability has impacted on the ability to drive commencements, retain high quality field staff and maintain services in thin markets.
- How the service is purchased drives provider behaviour. There is a need to improve the structure and timing of payments to avoid further unintended consequences.
- Underinvestment in the national marketing effort reduces the ability of the network to drive commencements.
- A lack of anticipated administrative efficiencies resulting from the failure to launch AAMS through this contract round. Whilst TYIMS is unstable and struggles to support new policy initiatives. Third party software will be required in the future contract round and this needs to be reflected in pricing considerations.
- Contract constraints in Targeted services need to be reviewed so that Gateway and In-Training services can be taken to the next level of sophistication and reach. Ensuring all equity groups and employers that require targeted support have access to it.
- Improving resilience to significant business level changes and the approach to servicing thin markets in regional and remote areas.

¹ Australian Apprenticeship Support Network (AASN) Evaluation of the AASN model, Ithaca Group, March 2018, P4

Principles based approach

The Association has developed six principles to guide our advice to the Department about how to improve the efficiency and effectiveness of the Network. They are:

1. The contract needs to support the policy intent to grow apprenticeship numbers significantly and improve outcomes.
2. The payment structure should reflect when work is undertaken.
3. The budget allocation should be fully expended to provide stable support arrangements
4. Contract arrangements should be viable and funding should be demand driven
5. A 5-year contract to improve service stability for customers
6. Contract arrangements should be flexible enough to support future innovation and market changes

Principle 1: The contract needs to support the policy intent to grow apprenticeship numbers significantly and improve outcomes.

The Association agrees with the findings of the AASN Evaluation that capping targeted services “masks the extent of real need” and that “the underlying intent of gateway services is not yet fully realised”²

This will be doubly important in a period of rapidly rising commencements.

Recommendation 1

- Expand Gateway and In-Training – With a floor price to underpin agreed best practice
- Introduce an Enhanced In-Training service for target groups or high-risk occurrences

The Association agrees with the observation by some State Training Authorities (STA) that ANPs appear to be operating “on the smell of an oily rag...impacting on the comprehensiveness of service delivery”³

This is a consequence of a primary focus on driving down unit prices during the last contracting round. This should not be the organisational rationale for the next contracting period. Rather there needs to be a focus on how the AASN can be properly resourced to meet the policy intent to significantly grow apprenticeship numbers and improve retention and completion.

In addition, a number of services such as the administration of the Trade Support Loan were added to the Universal service obligations post contract without any financial adjustment to meet the requirements.

As a result of reduced contract viability 60% of ANPs have approached their respective Boards with a view to returning the contract to the Department. The false economies of the first contract round need to be avoided at all costs if the Network is to reach its full potential.

Recommendation 2

- Raise the average price for Universal services to meet additional contract requirements. Consider reinstating a fixed price to underpin contract viability
- Introduce a marketing allocation for providers to use to promote the services of the Network.

² Ibid, Page 19

³ Ibid, Page 13

Principle 2: The payment structure should reflect when work is undertaken

The Association agrees with the AASN Evaluation that found that “the ratio of 30% at commencement and 70% at completion is too far out of alignment with the patterns of effort”⁴

One of the unintended consequences of “back ending” payments is that Network Providers have “poached” existing clients as a means to maintain a viable contract. As a result, there has been a lower focus on driving commencements.

It’s important to make the distinction between the pricing framework for Universal services that underpins contract viability and the Performance Framework that underpins quality outcomes.

It’s the overall model that is delivering improved retention not the “back ending” of provider payments. We need a payment schedule that underpins viability and a performance framework that measures the effectiveness and quality of the work undertaken.

Recommendation 3

- Alter payment point percentages to ensure viability and quality delivery using the following payment structure:

Band	Payment No	Payment %	Pay point
1	1	40%	Sign up
	2	40%	Completion
2	1	50%	Sign up
	2	20%	12 months
	3	10%	24 months
	4	10%	36 months
	5	10%	Completion

In the new contract, there should be an appropriate focus on driving commencements as well as achieving improved outcomes. This can be supported through an improved approach to bonus payments that reward success in these areas.

Recommendation 4

- Introduce a bonus for commencement of new apprentice employers
- The completion bonus needs to account for current market trends and business levels, both up and in some cases down.

⁴ Ibid, Page 14

Principle 3: The budget allocation should be fully expended to provide stable support arrangements

The Association agrees with the analysis in the AASN Evaluation that the apprenticeship support funding envelope was reduced from \$300m to \$200m at the commencement of the AASN contract.⁵

Compounding this the AASN budget has been underspent. The Association does not view the underspend as a “fortuitous saving” but rather a false economy. The contracting arrangements have hampered providers ability to invest in sales and marketing, expand the market and meet the policy intent of the Skilling Australians Fund.

In short, the Network Providers have been asked to do too much with too little and as a result the AASN model has not reached its full potential.

It’s in the interests of employers and their apprentices for the AASN to provide stable support arrangements that they know how to engage with.

Recommendation 5

- Universal fee rises to reflect rising costs, the burden of administering Trade Support Loans and any other additional requirements under the new contract.
- Providers to be allocated a marketing component to help support the implementation of the Skilling Australians Fund
- Providers have access to a “Retention Fund” to meet specific apprentice costs associated with resolving issues highlighted during In-Training support.

The fee structure needs to account for providers investment in third party software that will continue to be required throughout the next contract.

Recommendation 6

- Introduce a software licensing fee for providers to retain third party software
- Introduce a software development fee to assist providers co-develop the front-end requirements of third party software to help stabilise TYIMS.

⁵ Ibid Page 13

Principle 4: Contract arrangements should be viable and funding should be demand driven

The Association agrees with the observation in the AASN Evaluation that despite the regional and remote loadings ANPs “struggled to provide an adequate level of service in these areas”⁶

This is because of their geographic dispersal and isolation, but also because already small markets become thinner because they are serviced by multiple providers. It’s important that regional and remote employers have a choice of provider, but those providers need to be funded to provide equal levels of service to their metropolitan customers.

Recommendation 7

- Provide a higher weighting for regional and remote servicing to meet real servicing costs. With loadings set at 130% for regional and 150% remote clients of the Band 2 Metropolitan price.
- Regional and remote loadings to apply to both Universal and Targeted services
- In addition, there should be loadings for equity groups based on the increased level of support they require, particularly in Targeted services.

Over the past 5 years the number of Training Contracts administered by Network Providers has plunged from 443,000 in 2013 to 261,000 in 2018. Since its inception in 1998 Apprenticeship Centre funding was demand driven to cope with growing numbers of Australian Apprentices. In recent years the allocation has been capped at \$190m.

With the advent of the Skilling Australians Fund and the aspiration to increase apprenticeships by 300,000 over the next 4 years, the funding arrangement needs to reflect the wider policy intent.

Recommendation 8

- AASN funding needs to return to being demand driven to support the anticipated growth over the forward estimates.

⁶ Ibid Page 14

Principle 5: A 5-year contract to improve service stability for customers

The process of conducting and responding to a 3-year tender cycle is both time consuming and expensive for the department and providers. There is strong evidence that the contracting process results in lower performance and poorer outcomes during the tender year as organisations switch focus to secure the next contract and staff start to worry about their job security.

In practice, this has been recognised through a series of contract extensions. But this does not assist with retaining high quality staff or securing the best leasing arrangements for buildings and vehicles.

In recent times, other Commonwealth Departments have shifted to 5 year contracting periods in recognition of these downside effects.

Recommendation 9

- The AASN contract is offered for a 5-year period
- Payment arrangements are indexed annually (as per the JobActive contract)

Principle 6: Contract arrangements should be flexible enough to support future innovation and market changes

The Association notes the suggestions in the AASN Evaluation for monitoring outcomes in relation to the policy intent⁷. Many of the suggestions are characterised by potentially additional reporting requirements for providers, the availability of data that is not captured by TYIMS and more prescriptive approaches to the delivery of Universal and Targeted services.

These suggestions need careful examination to ensure they do not increase the administrative burden and red tape associated with the contract.

Where they do drive contract outcomes or demonstrate the quality of service delivery it's important that the resources required to gather and collate this information are factored into higher average fees for Universal and Targeted services.

Finally, it's important that if service delivery for targeted services is to become more prescriptive it should reflect a common understanding between the providers and the department about what constitutes best practice. Whilst still allowing for innovations during the life of the contract.

Recommendation 10

- Establish an Innovation Fund to pilot new approaches and systematically evaluate best practice delivery with provider input
- Include a contractual trigger to negotiate unit price increases as new policies or programs are introduced
- Business Plans that underpin the performance framework can be updated to account for significant market fluctuations, the introduction of new policy and programs or IT infrastructure.

⁷ Ibid Page 24

Complementary policy initiatives

There are a number of other policy initiatives that are outside the scope of the AASN contract but that would complement an efficient and effective apprenticeship system.

They include:

- A national marketing campaign which matches the ANPs marketing commitment
- Multi-year Skilling Australians Fund agreements to provide stability of funding arrangements
- Commonwealth to underwrite the Skilling Australians Fund through the forward estimates to smooth out fluctuations in revenue to the fund from skilled migration
- Better support for apprentices that need to travel to their RTO particularly in regional and remote areas
- Commonwealth led Existing Worker Program initially for Traineeships in the Human Services and Health Industry to meet significant workforce capacity constraints
- Move eligibility for Support of Adult Australians Apprentices (SAAA) to aged 21 to dovetail it with the Modern Award definition of an Adult Apprentice.