

Covid 19 impact on Apprenticeships

Market update – July 2020

Background

In April 2020 the seven providers that comprise the Australian Apprenticeship Support Network (AASN) formed a Covid 19 Steering Group to provide weekly reports and advice to the Commonwealth about changes to the apprenticeship market. The seven Apprenticeship Network Providers (ANPs) organise and support all apprenticeships and traineeships in Australia.

The weekly reports are drawn from the JobReady Active system that ANPs use to organise their workflows and consolidate apprenticeship data before it is uploaded to the Commonwealth TYIMS¹ system. The reports track actual activity and capture lead indicators about how the market is changing.

In addition, ANPs conducted a survey of 30,611 employers of apprentices and trainees in June to explore the uptake of JobKeeper arrangements and the potential uptake of other measures to support new commencements. This information was used to update the Association's scenario modelling about projected in-training levels.

It's the combination of this research that provides the insights in this paper.

Key insights

- 56% of businesses that employ apprentices and trainees currently receive JobKeeper payments.
- This means that around 154,000 apprentices and trainees are currently benefiting from the JobKeeper measure.
- This is 2.48 times higher than the rest of the working population.
- 3% of employers currently plan to cancel their apprentice or trainee when JobKeeper ends. This will potentially affect 7,780 apprentices and trainees.
- 18.5% of employers are undecided about whether to cancel their apprentice or trainee when JobKeeper ends, they currently employ around 50,615 apprentices and trainees.
- If half of the undecided employers subsequently choose to cancel their apprentice or trainee, the total cancellations in December quarter would be 33,088, many occurring in October when the Jobkeeper measure is due to end.
- With the current commencement and completion patterns this would mean 78,000 fewer apprentices and trainees in training by December 30th 2020 than in June. An in-training stock of only 196,930.
- 57% of businesses would employ an additional apprentice or trainee if they received a \$500 per week wage supplement for 12 months.
- 34% of businesses said they may consider employing an additional apprentice or trainee if they received a \$500 per week wage supplement.

¹ Training Youth Internet Management System



- Between March 1st and July 1st 14,814 Apprentices and Trainees have been cancelled
- 5,997 Apprentices and Trainees have been suspended since 1st March
- An additional 2,887 apprentices and trainees have been either suspended or cancelled but are not yet reflected in TYIMS
- This means a total of 23,698 apprentices and trainees have been known to be stood down, suspended or cancelled since 1st March.
- This could be an under estimate because it does not capture those that are on JobKeeper and not actually working, or those employed by Group Training Organisations (GTOs)² that may be “out of trade” but still being paid, taking annual leave or in the process of being “handed back”.

Whilst at a first glance the cancellation levels seem high, they are actually lower than an average quarter where around 20,000 “exits” are recorded. The lower cancellation level probably reflects a reduction in “apprentice-initiated” separations as the prospect of work elsewhere diminishes. In addition, the level of suspended apprentices and trainees is much higher than a normal quarter reflecting the underlying uncertainty trade-based businesses have in the pipeline of future work.

The stabilising effects of Supporting Apprentice and Trainee (SAT) and JobKeeper is testament to the effectiveness of the Commonwealth Government’s stimulus measures. By the end of June 82,244 Support SAT claims had been successfully processed, with around a further 3,000 still awaiting the wage evidence required to trigger the 50% wage subsidy³.

This week the second round of SAT commenced and the Association expects that around 40,000 of these employers will have been in receipt of JobKeeper for the April to June quarter and a further 10,000 will have received JobKeeper payments for part of the quarter. An employer cannot claim a wage subsidy under both the JobKeeper and SAT measures.

In April and May ANPs recorded 7,650 and 7,771 sign ups respectively, 33% lower than the 12,639 and 11,591 from April and May 2019. In June there were 9,889 commencements down 15% on the year before and 22% on 2018. Since the lockdown measures have begun to ease in most jurisdictions weekly sign ups have increased from an average of 1790 in April and May to around 2,280 in the second half of June. Still well down on the same period last year. We expect commencements to be lower in July as the effects of the lockdown in Victoria have an impact.

The combination of lower commencements, cancellations and completions will see net in - training levels fall sharply in the next 6 months.

Response measures

The Commonwealth Government’s stimulus measures have achieved their intent to stabilise the levels of apprentices and trainees currently employed. The measures were well targeted, quickly deployed and effective.

ANPs scaled up their claims teams to implement the SAT measure at a time where social distancing required the claims teams to relocate to work from home. Additional field staff were deployed to bolster the claims teams at the same time that their servicing requirements were shifted to online and remote servicing.

² GTOs employ up to 22,000 apprentices and trainees annually in a “noble intent” labour hire arrangement

³ Up to a maximum of \$7,000 per apprentice per month for businesses with 19 or fewer employees

Similarly, the Department of Education Skills and Employment (DESE) that administer the AASN contract have moved swiftly to adapt the contract mix to the emerging environment. They have done this by:

- Extending In-Training (mentoring) support to suspended and cancelled apprentices
- Expanding the number of Gateway (career guidance and recruitment) places to support more of the school leaver cohort this year
- Supporting the ANP claims teams by extending fee for service payments for round 2 SAT claims
- Rapidly responding to new programmatic requirements despite many departmental staff needing to work from home
- Having continuous dialogue with the Covid 19 Steering Group and the Association to refine the effectiveness of the measures and respond to market changes.

Proposed additional measures

The Association has developed an “Apprenticeships and Recovery” paper that outlines the rationale for a \$500 per week wage supplement to stimulate commencements by supporting employers to commence an additional apprentice over the next 12 months.

The Australian Industry Group has called for a \$500 per week wage supplement for first year apprentices and a \$250 per week wage supplement for second years over the next 12 months in an initiative they call Supporting Apprentices and Trainees 2.0.

Similarly, the National Apprentice Employer Network (NAEN) that represents many GTOs have called for a \$500 per week wage supplement for all existing and new apprentices and trainees.

Despite the slightly differing design of each of these proposed measures there is consensus that a well targeted wage supplement will be required in the year ahead to support apprentice commencements.

The Association’s research shows that were a \$500 per week wage supplement introduced at least 86,000 additional commencements would result from current employers of apprentices and at least 14,000 would occur from employers that have used apprenticeships in the past but don’t currently do so.

A smaller survey of this group showed 61% would be attracted back into the apprenticeship system and 36% would consider coming back once the design of the wage supplement was known.

Without a wage supplement perhaps 100,000 young people will miss out on an apprenticeship, instead being supported through Jobseeker arrangements for around the same cost.

If we are to prevent a lost Covid 19 cohort of school leavers this year and next, and if we have an eye to the skills needs of the economy as we recover from the pandemic a \$500 per week wage supplement for apprentice employers is compelling.