



Submission

**A shared responsibility
Apprenticeships for the 21st Century**

Final Report of the Expert Panel

April 2011

About the Australian Industry Group

The Australian Industry Group (Ai Group) is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses which we represent employ more than 1 million employees.

In preparing this submission Ai Group has drawn on the expertise of its Education and Training Policy team and also its member advisors located in Queensland, New South Wales, Victoria and South Australia who are dealing directly with member companies on a day-to-day basis on skilling issues.

INTRODUCTORY REMARKS

The Australian Industry Group (Ai Group) welcomes the opportunity to respond to *A shared responsibility, Apprenticeships for the 21st Century, Final Report of the Expert Panel, 31 January 2011*. It has been our view for some time that there is a need for significant reform of this most important pathway to employment. The case for reform is effectively outlined within the Final Report. Similarly, the four key themes identified in the Report constitute an important focus for reform of Australian Apprenticeships:

- a model of skills formation;
- the leadership of the system;
- the sustainability of the system; and
- the interaction with modern awards and workplace relations legislation.

Given this framework Ai Group is concerned about the overall lack of balance in the deliberations and recommendations of the Expert Panel. There is an over-emphasis on the role of employers within apprenticeship arrangements compared to the role of Registered Training Organisations in the provision of off-the-job training within these arrangements. The Report conveys the impression that substantial reforms relating to employer involvement are required and that these constitute the major issues to be dealt with concerning Australian Apprenticeships. The Report canvasses recommendations concerning pre-qualification and training for employers through a formal accreditation process, a redirection of employer incentives away from employers to facilitate structured support services for individual apprentices and trainees as well as proposing an Employer Contribution Scheme. There are no recommendations pertaining to the role of Registered Training Organisations and their delivery of off-the-job training. The report simultaneously describes reforms to the apprenticeship system as a 'shared responsibility'. Hence, a more balance discussion and set of recommendations would have been logical.

The Final Report discussion on sustainability is an illustration of this. The Report attempts to link the non-completion of apprenticeships with the breakdown of the employer – apprentice relationship. Ai Group believes that the research indicates that this is only one of the relevant factors contributing to non-completion. There are many factors including the perception and reality of poor quality and non-flexible off-the-job training delivered by Registered Training Organisations. This is a regular complaint received by Ai Group from its employer members.

Notwithstanding these concerns Ai Group supports the centre-piece recommendation of the Report for a National Custodian of Australian Apprenticeships. Indeed, Ai Group has publicly called for the creation of a Workforce Development Agency to consolidate programs related to workforce development into one body thus sharpening the economic focus of the system and strengthening industry's voice.¹ A key component of this Agency would be the establishment and auspicing of a National Apprenticeship Commission to progress the approved recommendations of this Report and deliver a reformed high quality Australian Apprenticeship system. It is the view of Ai Group that this Commission would perform the role of National Custodian advanced in this Report.

National leadership has been required in this arena for some time. Many of the subsequent recommendations hinge on the centrality of this recommendation and indeed will amount to little if this key initiative does not achieve widespread support. We are concerned however that the establishment and implementation of a National Custodian does not give sufficient weight to the

¹ Media Release, Ai Group calls for creation of Workforce Development Agency, 11 April, 2011.

importance of employers. Perhaps ironically given the analysis contained within the Report, the proposed independent taskforce is dominated by State and Territory jurisdictions which have significantly contributed to the lack of national consistency in Australian Apprenticeship arrangements. Ai Group strongly advances the need for a National Apprenticeship Commission within a Workforce Development Agency to establish a greater role for industry in these proposed arrangements.

The other major item within the Report concerns employer incentives. There is a need to carefully delineate between apprenticeships, traineeships and also labour market programs which have been included in the mix. It is time to de-couple and re-define apprenticeships and traineeships. The imminent National Standards Council needs to be charged with establishing clear definitions and distinctions between labour market, traineeship and apprenticeship programs. These definitions should form the basis of the criteria or application of a funding regime that is then applied.

Ai Group's preferred approach is that Commonwealth Employer Incentives need to be retained but significantly adjusted. This will involve the development of robust and credible criteria that enable the targeting of public money in accordance with the short and medium term needs of industry without diminishing the volume of the current budget allocation directed to Commonwealth Employer Incentives. Ai Group supports the development of eligibility criteria that target employer incentive arrangements so that all participating employers receive some incentive support. This could continue to be made through two payments, although the timing and amount may need to differ from current arrangements. The payment restructuring should be in line with the intent of the recommendation contained within the Report around the provision of structured support which should be available to employers of all sizes.

SUMMARY

No.	Recommendation	Ai Group Response
1	Establish a National Custodian	Support
2	Clarify stakeholder roles	Support
3	Pre-qualification and training for employers – Excellence in Employment Scheme	Oppose
4	Structured support for employers	Support
5	Redirection of Australian Government employer incentives	Qualified support
6	Establish an Employer Contribution Scheme	Oppose
7	Support during economic downturns	Support
8	Regulate quality of VET In Schools	Support
9	National consistency in preparatory training	Support
10	Support for disadvantaged groups	Support
11	Strategy to raise status	Qualified support
12	Promote competency based progression	Support
13	Improve implementation of RPL and RCC	Support
14	Support Fair Work Australia review of conditions	Alternative approach required

RESPONSE TO 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.

Ai Group agrees that there needs to be a custodian for the apprenticeship system with powers to make a difference. Ai Group has called for the establishment of a Workforce Development Agency which would include a National Apprenticeship Commission. The Commission would progress the approved recommendations of this Report and have the responsibility for delivering a reformed high quality Australian Apprenticeship system. This would include forging nationally consistent apprenticeships, removing duplication of service provision and streamlining administrative requirements. It would be the responsibility of the Commission to ensure that programs and arrangements meet current and future economic and occupational needs including foundation skills such as workplace literacy and numeracy. To support the work of the Commission, Commonwealth-State funding agreements must include specific references that all jurisdictions support and actively contribute to apprenticeship reform. The Workforce Development Agency would have responsibility for the implementation of proposed new arrangements relating to employer incentives.²

Support for this recommendation is crucial if the proposed reforms are to have any effect beyond tinkering around at the edges of the system. Australian Apprenticeships are Australian in name only and the lack of a genuine national system is a frustration to employers, especially those that operate on a national basis or in multiple States. There needs to be national consistency. It is important that the proposed National Custodian or Commission does not lead to replication of State and Territory training bureaucracies and add another layer of complexity. It needs to have power to make apprenticeship policy that is binding on all jurisdictions.

There are reservations about the proposal to create an independent taskforce for a two year period. This is not necessarily the most effective process to employ. This is especially the case given that the proposed composition of the taskforce is dominated by State and Territory jurisdiction representatives. A more significant role for industry is required in this proposal for a National Custodian and Ai Group prefers that the National Apprenticeship Commission is established immediately rather than form a temporary taskforce.

² Media Release, Ai Group calls for creation of Workforce Development Agency, 11 April, 2011.

- 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 will progress this work.**

Ai Group supports this recommendation as a logical consequence of support for a National Custodian. There is a need to clarify the role of stakeholders and to review administrative arrangements as they are currently confusing and employers do not find it easy to navigate the system. It is essential for all parties to support this and it needs to be included in the next National Workforce Skills Development Agreement to build commitment to this.

- 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.**

Ai Group supports measures designed to improve the quality of the employer – apprentice relationship but sees no reason why this should be a formalised process in the form of pre-qualification and training of employers. In our submission to the Australian Apprenticeships Taskforce we indicated support for the provision of professional development for the supervisors of apprentices.³ What is required is the further development of expertise rather than an accreditation process.

The Final Report acknowledges that the introduction of the pre-qualification and training for employers would potentially impose a bureaucracy on employers. An additional administrative burden on employers is clearly contrary to the direction of the proposed reform. A major issue related to the implementation of Australian Apprenticeships currently is the excessively bureaucratic approach that does little to encourage participation by employers. The impact of such a measure could reduce the pool of employers willing to participate in the system at precisely the time when increased skills shortages are anticipated in the trades.

³ Australian Industry Group Submission to the Australian Apprenticeships Taskforce, July 2009.

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.

Ai Group supports the establishment of structured support for employers. This structured support is essentially defined as mentoring and pastoral care for apprentices/trainees in the Report. There is a need to strengthen front-end induction as one of the greatest causes of non-completions is a mismatch of expectations between the employer and the apprentice/trainee.⁴ This is particularly the case in circumstances where the supervisor was not involved in the decision or the process of securing an apprentice/trainee.

There is a need for better integration of on-the-job and off-the-job training. How is this going to be provided outside of the current support provided through group training arrangements? There is a danger that this proposal could lead to a proliferation of providers catering for the mentoring of supervisors. This should not be the province of Australian Apprenticeship Centres (AACs) as a different skill set is required. AACs should only deal with administrative arrangements. Under current arrangements there are pressures on them to focus on the volume of apprentices rather than the quality of the arrangements.

Consideration of expansion of the role of quality Group Training Organisations (GTOs) to include the provision of 'structured support' should be actively examined. GTOs are the only demand side intermediary that is generally well positioned to extend their service range to provide such supports. This provision could also be extended to apprentices not within their employ. GTOs should also automatically become AACs at least for their own apprentices and trainees.

Consideration should also be given to moving to on-line sign up of apprentices and trainees as this has the potential to achieve significant savings.

⁴ A Guide to Managing the First 100 Days of an Apprenticeship, Australian Industry Group, August 2007.

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.

The Australian Government introduced Commonwealth Employer Incentives, with the fundamental intent of encouraging and measurably lifting the number and range of apprentices and trainees within the national training system. This approach was designed to benefit both the individual and the enterprise, therefore comprising both a public and private benefit.

As a direct consequence of this approach significant inroads have been made. We have witnessed an increase in overall numbers of apprentices and trainees during the past decade which represents an investment in skills. However, it is not prudent to accept these figures at their aggregate level. Within that period an increased range of qualifications became eligible and therefore 'declared' for the purposes of traineeships and apprenticeships eligibility and funding. Thus, we entered a period of variable product and outcomes, but all equally incentivised. Perhaps most significantly in hindsight, there was not ever adequate differentiation between traineeships and apprenticeships. Indeed, various policy settings tried to align them in all respects. Whilst the intent may have been admirable, it completely overlooked a range of important considerations, including duration, qualification level, skill intensity and not least economic and labour force need. By default, we also managed to introduce labour market programs into the mix.

Labour market programs are an important element in the policy and product mix. They serve a profound purpose and provide an essential path to employment for their intended target group. Labour market programs for the disadvantaged do not need a contract of training. While needing support arrangements labour market programs should not attract employer incentives. These need to be targeted to disadvantaged young people and still be linked to employment. Young people can be disadvantaged in the pursuit of trades because they have used up their entitlement in other programs which are in essence labour market programs. It is understood in this context that many young people are initially attracted to the services industry as the labour market for youth has collapsed in other industry areas. In any proposed reallocation processes it is important to not lose sight of the need to support the disadvantaged.

Labour market programs must be re-defined, re-badged and continued. We must de-couple and re-define apprenticeships and traineeships. Over time a nonsensical position has developed where the market will often differentiate between traineeships and apprenticeships but the training system will not. Furthermore, the confused and contradictory Commonwealth and State arrangements that compete within the training system have led to an unacceptable situation where the same qualification is an apprenticeship in one jurisdiction, yet a traineeship in another.

Thus, it is the view of Ai Group that the soon to be established National Standards Council be charged with establishing clear definitions and distinctions between labour market, traineeship and apprenticeship programs. These definitions will need to be worked through with training package developers, and hence industry skills councils. When derived, these definitions need to be endorsed by the National Standards Council and form the basis of the criteria or application of a funding regime that is then applied.

For the purpose of the remainder of this discussion it is contained to apprenticeships and traineeships. This is not a diminution of labour market programs, but more significantly focuses upon the scope of the Final Report.

Ai Group's preferred approach to best apply Commonwealth Employer Incentives is based on several criteria. At the outset it is important to state that the volume of the current budget allocation directed to Commonwealth Employer Incentives must be maintained. Current incentive arrangements are not well targeted and should be subject to review. They need to be retained but significantly adjusted. This will involve the development of robust and credible criteria that enable the targeting of public money in accordance with the short and medium term needs of the economy. There is a need to review the eligibility of employers for incentive payments. The only eligibility criteria for current incentive arrangements are that the program is either a recognised traineeship or apprenticeship. They all are then eligible for the same payment regardless of skill intensity and duration. This is a blunt approach and is no longer an appropriate approach given the demands of the modern economy and the current labour market. Ai Group supports the development of eligibility criteria that target employer incentive arrangements. The criteria developed by Skills Australia in *Australian Workforce Futures* are worth examining. These criteria identify three key elements that drive allocations or eligibility of programs:

- “Long lead time – skills are highly specialized and required extended learning and preparation over several years
- High use – skills are deployed for the uses intended (i.e., good occupational fit)
- High risk – the disruption caused by the skills being in short supply is great, resulting either in bottlenecks in supply chains or imposing significant economic or community costs because an organization cannot operate.”⁵

Ai Group also accepts that all employers, in order to obtain any funding that they may be eligible for, need to embrace workforce planning and have a Workforce Development Strategy.

Consideration needs to be given to a differential arrangement of support so that all employers receive some incentive support. It is appropriate to continue with allocating the payments at two separate points within the duration of the traineeship or apprenticeship. One payment should be made early in the program similar to current arrangements. The second payment should occur at the back end of the traineeship or apprenticeship and function as a completion payment/bonus. The timing and dollar value of these payments may need to be shifted from current arrangements.

The first payment should be restructured in line with the intent of the recommendation contained within the Report around the provision of structured support. Employers of all sizes should be eligible for this ‘structured support’, not just SMEs. Whether an employer receives direct payment to facilitate structured support or an alternate method is introduced, i.e. ‘coaching voucher’, needs to be explored. It is essential that we do not fall into the trap of establishing, by default, a ‘quasi-mentoring industry’. If an approach to the provision of structured support is to be successful, it must be integrated into enterprise workforce development plans and have an enduring value beyond the actual apprentice or program. If the intent around structured support in the workplace is actually delivered it is possible that we will also simultaneously develop a stronger and more formal learning infrastructure in the workplace.

⁵ Australian Workforce Futures, A National Workforce Development Strategy, Skills Australia, 2010, page 19.

Attention needs to be given to how small employers would best access structured support. Provision of a voucher or a direct payment will probably be insufficient to achieve a sustained positive impact. GTOs may be able to fulfill this function. Equally, it is worth investigating business clusters and other networks to support this provision.

The second payment should be targeted to increase and reward completion. This payment could continue to be in the form of a direct payment to the employer. The specific timing and amount of this payment need to be re-examined.

Finally, within the context of consideration of employer incentives, the current arrangements for existing worker traineeships need to be tightened if they are to better serve the needs of the economy rather than provide a lucrative source of income to Registered Training Organisations. It is certainly the case as the Report indicates that existing worker traineeships are not being used for their original intention.⁶

6 Reinforce the need for a shared responsibility for the Australian Apprenticeship 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.

Ai Group does not support the introduction of an Employer Contribution Scheme and notes the following comment in the media release by Senator Evans, the Minister for Tertiary Education, Skills, Jobs and Workplace Relations on 21 February 2011:

“However, we will not consider introducing an employer contribution scheme. The Government believes industry is keen to co-operate voluntarily in a genuine partnership to improve the apprenticeships system.”⁷

⁶ A shared responsibility: Apprenticeships for the 21st Century, Final Report of the Expert Panel, 31 January 2001, page 32.

⁷ Media Release, Reforming the Australian Apprenticeship system, Senator the Hon Christopher Evans, Minister for Tertiary Education, Skills, Jobs and Workplace Relations, 21 February 2011.

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.**

Ai Group supports this recommendation in principle. The measures introduced during the Global Financial Crisis, including those contained within the recommendation, are worthy of further consideration. Ai Group research has documented the impact of the economic downturn on companies, their training expenditure and measures to address skilling needs. This National CEO Survey indicated a wide range of skilling strategies used by industry in the face of the economic downturn.⁸

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.

All VET in Schools arrangements are subject to the provisions of the Australian Quality Training Framework. In some jurisdictions the arrangements for VET in Schools are no different from the remainder of the VET sector. In Victoria for example, schools can apply to be RTOs on the same basis as other providers. The alternative is that schools form partnerships with RTOs who provide the quality control and regulation. In many ways the problems arise when there are differing arrangements for RTOs. In NSW for example, Department regions are deemed to be RTOs on behalf of schools.

One means to more effectively regulate the quality of VET in Schools arrangements is to review these arrangements. This should be encompassed within the parameters of the recommendation. It is also assumed that the regulation of VET in Schools would be included in the work of the national VET regulator.

It is also important to recognise that the VET in Schools programs have been very successful in introducing senior secondary students to opportunities within the VET sector. Accordingly, any reforms in this area should not impose additional barriers to participation by students.

⁸ Skilling Business in Tough Times, October 2009, Australian Industry Group and Deloitte, page 21.

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

Ai Group supports the conclusions of the Final Report in regards to pre-apprenticeship and pre-vocational training. These pathways are characterised by both high levels of employer support and a lack of consistency across jurisdictions. Accordingly Ai Group supports the recommendation for the National Quality Council, as a key first step to rejuvenating these pathways, to determine nationally consistent definitions.

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.

The Final Report makes a cogent case for the provision of additional support in apprenticeship arrangements for Indigenous Australians, those with a disability and those located in regional or remote parts of Australia. Ai Group welcomes the inclusion of additional support of those entering apprenticeship arrangements with poor foundation skills, especially language, literacy and numeracy. Current Ai Group research via the National Workforce Literacy Project supports the concern of employers about this issue and confirms that apprentices and trainees need additional LLN support. The Final Report notes this research and that 75% of surveyed employers reported that their business was affected by low levels of literacy and numeracy.⁹ In addition, it is worth noting that in the same survey employers reported that 25% of apprentices were affected by low levels of literacy and numeracy.¹⁰ It is important for the Australian Government to increase funding allocations to address this major issue and to involve industry as a key stakeholder in the development of the National Foundation Skills Strategy. Accordingly, Ai Group supports this recommendation.

⁹ A shared responsibility: Apprenticeships for the 21st Century, Final Report of the Expert Panel, 31 January 2011, page 83

¹⁰ National Workforce Literacy Project – Report on Employers Views on Workplace Literacy and Numeracy Skills, Australian Industry Group, May 2010, page 10.

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.

While not opposed to this recommendation Ai Group believes that the issue of status is closely linked to quality. When the quality of the arrangements is increased the status will increase as well. There have been several advertising campaigns in this arena and careful consideration needs to be given to launching another one especially in the context of tight budgets.

There is some merit in the consideration of the separation of the apprenticeship and traineeship brands. It is clearly important to communicate such a change together with other agreed reforms through a national communications strategy at the completion of deliberations.

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.

Ai Group welcomes this recommendation. Competency based progression and completion has been our policy for some time. As identified in the response to the Australian Apprentices Taskforce Discussion Paper competency based progression and completion is still not well understood by employers and RTOs.¹¹ This is despite the provision of enabling legislation in all jurisdictions, although in some cases it has not been enacted. Accordingly, there is a greater need for more education and professional development to increase understanding about this approach.

One of the key areas of misunderstanding in implementing competency based progression and completion is in the link between structured off-the-job training and the practical work-based experience gained by apprentices and trainees. In traditional apprenticeships, most RTOs have continued to timetable off-the-job training to be completed within the first three years. This reflects the long standing arrangement of three years of trade school followed by one year full time at work.

Problems arise however, when the RTO seeks to progress or complete the apprentice according to their progress in the classroom, regardless of their progress at work. This can be driven by funding arrangements put in place by state training authorities or just internal RTO practices. Unfortunately, the end result is that employers are frequently asked to sign off apprentices inside of three years, regardless of their ability to perform competently in the workplace, and this is often for the convenience of the RTO. This practice is widespread and leads to disenchantment with the concept of genuine progression in line with achievement of competence. Professional development for both employers and RTOs will help alleviate this problem.

Ai Group has been actively encouraging greater understanding of competency based progression and completion both for employers and RTOs. The *Guide to Managing Your Apprentice* was first published in 2008, and initially was specifically designed to promote understanding of the concept. Apprentice Supervisor workshops have been conducted in four states since 2009 and extensively cover this topic. Many of these workshops are conducted in TAFE institutes to encourage greater understanding between employers and training providers.

¹¹ Australian Industry Group Submission to the Australian Apprenticeships Taskforce, July 2009.

It is also apparent that competency based progression and completion is inconsistently applied in jurisdictions. Some states have been proactive in implementation, while others have taken no action. This can cause frustration for employers, particularly those with national workforces.

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.

Given that Recognition of Prior Learning and the Recognition of Current Competence are key elements of competency based progression Ai Group supports this recommendation. These arrangements are unnecessarily complex and employers have difficulty understanding implementation of these provisions. This has been a regular source of complaint by employers to Ai Group. Any improvement in the implementation of these provisions would be most welcome.

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.**

Section 4 of the Final Report recommends that Fair Work Australia (FWA) undertake a review of apprenticeship and traineeship provisions. The Tribunal is currently reviewing wages for award-free apprentices and trainees in its *2010 – 2011 Annual Wage Review* and determining special minimum wages for these categories of employees. The special minimum wages will have very limited application given that nearly all apprentices and trainees are employed in industries covered by a modern award.

With regard to modern award wages and conditions for apprentices and trainees, during the *2009 – 2010 Annual Wage Review* the Australian Government and a number of other parties proposed that FWA conduct a broad review of these wages and conditions. In response to this proposal, FWA issued a statement on 17 June 2010 calling for written proposals and inviting interested parties to attend a conference to discuss the proposals. Ai Group lodged a written proposal and participated in a conference chaired by FWA President, Justice Giudice, on 22 October 2010.

One question that arose at the conference was whether FWA has the power to undertake a broad review of apprentice wages and conditions, and if so, under what section/s of the *Fair Work Act 2009* or *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009* (FW Transitional Act) is such power derived? Given this issue, one proposal that was discussed at the conference was for apprentice and trainee award wages and conditions to be reviewed as part of the two yearly review of modern awards.

If a review is to be carried out, we submit that:

- Apprentice wage rates and conditions in each modern award need to be reviewed in their own right. “One size fits all” approaches to apprentice wages and conditions are not appropriate.
- We are not convinced that there is merit in breaking the existing nexus between C10 and Certificate III. Breaking this nexus could have many negative consequences, including widespread union reclassification and wage claims across manufacturing and other industries.
- We are not convinced that it would be beneficial to re-introduce supervision ratios in awards. These provisions were removed from awards in the 1990s when the content of awards was simplified.

The complexity associated with reviewing wages and conditions for apprentices and trainees is highlighted by the process which led to the incorporation of new apprenticeship provisions in the *Metal, Engineering and Associated Industries Award 1998* in 2006. Following two years of constructive negotiations between Ai Group, the AMWU and the CEPU, and the arbitration of some unresolved issues by Senior Deputy President Marsh, the award was varied (PR968890) to implement new apprenticeship structures and wage rates. The new pay rates were based upon the level of schooling that an apprentice had completed at the time of commencing an apprenticeship and competency progression was emphasized, rather than the previous time-served approach.