



**An Apprenticeship Model
for the modern economy**

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Introduction

Apprenticeships and traineeships, in one form or another, are used the world over to train new entrants to the workforce in skilled jobs. The key features of learning by doing, underpinned by formal theory training, whilst in paid employment are widely supported and often expanded into non-traditional industries and jobs.

When apprenticeships work well, they benefit the apprentice, their employer and society at large. Apprentices benefit by learning skills that are valued by the labour market. They gain a qualification reinforced by time spent practising what they have learnt in workplaces over long periods of time. When they complete, apprentices have learnt technical skills; the softer skills needed to work in a job, such as teamwork, communication and problem solving; and they have learnt while earning a wage for the work they have produced.

Employers benefit by developing skilled workers for their future needs. This can be for their own benefit or for their industry as a whole. On a financial level, employers benefit by paying a reduced wage while the apprentice is learning. Apprentices will not produce work at the level of a skilled employee, but they can still add a level of productivity, even in the early stages through producing routine work that frees up others to work on more highly skilled tasks. For every skilled job, vegetables still need to be chopped and oil still needs to be changed. Correctly, every time. Mastering routine skills is what leads to learning high level skills, even reaching mastery.

Society benefits from apprenticeships. They provide a stable, long term pathway for new entrants to the workforce from many different backgrounds to gain secure well-paying jobs and establish good careers. Apprentices do better than others in transitioning to full-time employment when they complete. The skills apprentices learn are often the skills Australia needs for a fully functional economy. This is why governments invest taxpayers' money in maintaining the system.

But there are problems with the apprenticeship model. Opportunities for vacancies are linked to the outlook for each business, and the uncertainty generated by the pandemic has impacted heavily on this. If vacancies remain low for the coming months or years, this will not only impact on future skills shortages but will severely limit career possibilities for school leavers and other young people.

For many years, employers have lamented the paucity of good candidates for apprenticeship vacancies. The perception is that young people aspire to universities for the pathway to professional careers they offer. Parents and careers teachers in schools favour these pathways, whether it be for prestige or future earnings; because apprenticeship pathways are poorly understood; or because university enrolment numbers are an indicator of a school's success.

If apprenticeships are truly valued, how can they be made more attractive to young people? How can more companies be encouraged to offer opportunities, especially during a recession? And if apprenticeships will not meet Australia's skills needs, how else can they be met?

What are apprenticeships and traineeships?

Apprenticeships and traineeships are formalised ways of employing and training a new entrant in a skilled occupation.

The model requires a legal training contract to be signed between the employer and the apprentice or trainee. In that contract, the employer agrees to provide the apprentice or trainee with work and training related to the job and to release them to attend formal training. The apprentice or trainee agrees to work and train to the best of their ability. Training contracts are for a nominal duration of up to four years.

Formal training is usually at Certificate III level and accounts for about 20 per cent of the apprentice's or trainee's time. The rest of the time (80 per cent) is spent working with the employer.

The employer pays the wage of the apprentice or trainee and usually pays any enrolment fees for the formal training (this is generally a requirement of industrial awards for apprenticeships, but not for traineeships). Wages are lower than minimum pay rates, reflecting the time spent in training and the supervision costs of the employer.

Traditionally, apprenticeships were in trade occupations: in occupations in construction trades such as carpentry, bricklaying, electricians and plumbers; in manufacturing trades such as welding, fitting and machining; in other mechanical trades such as car and diesel mechanics and printers; in food trades such as cooks, bakers and butchers; and in a small number of other trades including hairdressers and landscape gardeners.

Apprenticeships in Australia are often defined by how they are referenced in industrial awards. For example, the Vehicle Repair, Services and Retail Award 2020 lists 21 occupations that are considered apprenticeships under that Award.

The apprenticeship model shifted in the early 1990s to incorporate more occupations in the services sectors, using the term 'traineeships.' Traineeships commenced as lower level occupations, normally at the Certificate II level and ran for shorter periods, usually 12 months. The first traineeships were in occupations such as retail assistant, front-of-house restaurant worker or clerical worker, and were targeted at young people who were early school leavers or otherwise disadvantaged in the labour market.

During the recession of the mid-1990s, traineeships were greatly expanded as a strategy to create employment opportunities for young people in general. Every industry was encouraged to develop traineeship pathways in any occupation that might be suitable for new entrants. Many occupations now have traineeship pathways. The National Centre for Vocational Education Research now lists 1,799 qualifications that can be achieved through an apprenticeship or traineeship pathway. Qualifications range from Certificate I to Advanced Diploma.

Over the past 20 years, differences in how apprenticeships are termed have emerged between state and Commonwealth governments. Since the late 1990s, the Commonwealth Government has termed any employment arrangement based on a legal training contract as an Australian Apprenticeship. The states, which each control the occupations in their jurisdictions that can be governed by a training contract, differentiate between apprenticeships and traineeships. Generally, the states are guided by industrial awards. This paper uses the terms apprenticeships and traineeships to differentiate between the two types.

The terminology becomes even more complex when the Commonwealth Government implements incentive schemes. Some incentives, such as the Trade Support Loan, are only intended for the traditional apprenticeships, so new ways of defining distinctions are found. The NCVER uses the terms 'trade apprenticeships' and 'non-trade apprenticeships' to report on what most still consider apprenticeships and traineeships. The terminology used to describe the employment arrangement is important, and this paper will return to that subject elsewhere.

Why do we value apprenticeships and traineeships?

Apprenticeships and traineeships form a core component of the vocational education and training sector and in many respects embody the purpose of vocational qualifications. Not only are they directly linked to a job, but in many sectors, they are the main pathway to skilled employment.

Apprenticeships and traineeships have stood the test of time, despite declining numbers in recent years. It is worth reflecting on why this is the case. There are many different reasons why employers take on apprentices and trainees, whether it be to do something for the community, to help out an individual, or to ensure a pipeline of skills for the future. But for all these different reasons, the question is why apprenticeships? Why traineeships? Why not favour some other form of gaining skills? For example, most professional occupations are filled by graduates who have already invested in their training before they present themselves to an employer.

The value of an apprenticeship or a traineeship is that formal training is only one part of the model. The other component, equally if not more important, is training on-the-job, over time, from other skilled workers. By the time the apprentice or trainee graduates, they have not only learnt technical skills, they also have learnt work practices, made adjustments to fit into the work environment, worked in teams with other skilled workers, and may have also dealt with customers. They have seen the tradespeople or other skilled workers in their workforce deal with new problems as they arise and have seen the techniques they use to solve them. And they have done this for years. By the time they finish, they can perform most tasks as well as other skilled workers in the organisation.

This centuries-old relationship of an apprentice working with and learning from other workers – the ‘master-apprentice’ arrangement – is now augmented by formal training to fill any gaps in theory, but it is the relationship with the master that is the core of the model, not the training program.

Apprentices and trainees gain direct experience working in their field while they are learning. The work they do is real work. Even the seemingly mundane jobs, like sweeping floors or digging holes, teach them the importance of getting the fundamentals right and help them develop an understanding of the full requirements of a workplace. Putting their studies into direct application in a real work situation helps embed that knowledge much more deeply than if it is purely theoretical.

The formal training component of an apprenticeship or traineeship is still a vital element. Not every employer understands all of the intricacies of a trade, or can espouse the mathematical or physical principles that sit behind certain processes. The identification of the knowledge and skills that sit behind each skilled occupation and the consolidation of that knowledge and skills into formal training qualifications helps ensure there is national consistency in what constitutes a tradesperson or a skilled worker in a given discipline. It gives consumers and future employers confidence that a person holding a qualification can actually perform the role to a suitable standard.

The apprenticeship and traineeship model has worked well over many years because the arrangement suits both parties. The apprentice or trainee gains skills that will lead to a productive and well-paying career. The employer gains a worker at lower cost while they are learning new skills and a potential skilled worker for the future.

Most university graduates in contrast often have had no direct experience of the workplace, apart from part time jobs probably in unrelated industries and limited work placements. They need substantial work experience before they can be considered a professional. Some university qualifications, for example medicine and law, have incorporated an apprentice-type model for years, and other university courses are also now embedding work integrated learning into their qualifications because they recognise the value of immediate application of learned skills.

What are the essential elements?

The essential elements of an apprenticeship or traineeship are therefore threefold:

- There is the learning of skills through watching skilled workers demonstrate them and then practising those skills repeatedly until they reach the same standard.
- There is the formal attachment to a workplace for a period sufficiently long enough to enable the apprentice or trainee to absorb employability skills through watching others demonstrate them and through being expected to demonstrate them over time to the same standard.
- There is the completion of a formal training qualification that guarantees national consistency and ensures minimum standards have been met.

What are the strengths of the model?

One strength of the model is acknowledgement by employers, consumers, and society at large that graduates of apprenticeships produce, by and large, skilled workers who can be expected to perform to an acceptable standard. In much the same way that people place trust in a doctor's qualification, a trade certificate indicates that the person has been assessed as competent. Of course, there are good doctors and bad doctors. Traineeships don't yet enjoy that public vote of confidence. They are relatively new to the marketplace (30 years) and their origin as a strategy to create employment for early school leavers still creates perceptions that they are somehow second-rate.

Another important strength is the employment outcomes for those who graduate from apprenticeships and traineeships. According to NCVER data, 87.7 per cent of apprentices and trainees who complete their training contract are employed afterwards.¹ This compares with 46.8 per cent of VET graduates who are not employed before commencing their training.²

The recession caused by the pandemic has highlighted the importance of this link between gaining vocational skills and securing long term employment. The deliberate targeting of some of the key programs announced in the 2021 Federal Budget towards helping young people gain employment (JobMaker and Boosting Apprenticeship Commencements) shows the concern of many that young people are at grave risk of suffering long term consequences if they struggle to re-enter or enter for the first time a flat labour market.

A recent report by the Mitchell Institute highlighted the disproportionate impact of recent job losses on the young. They quoted the National Skills Commission on the impact of COVID-19 stating that "Young people accounted for around 45 per cent of the total decline in employment in May, despite comprising just 16 per cent of the population".³

The report also mentions the danger of what they term 'occupational scarring'. This refers to the long term effect on young people who enter a flat labour market. They take jobs below their skill level or part-time jobs to gain a foothold, and take longer to move up the employment ladder.

A critical aspect of the effect of COVID-19 is the alarming growth of those young people not in employment or education (NEET). The Mitchell Institutes research found that at the start of the pandemic 120,000 extra

¹ Australian VET statistics: Apprentice and trainee experience and destinations 2019, NCVER, Adelaide

² Australian VET statistics: VET student outcomes 2019, NCVER, Adelaide.

³ Dawkins, Hurley and Lloyd, Averting an Escalating Labour Market Crisis for Young People in Australia: A Proposed National Job Cadet Program, 2020, Mitchell Institute, Victoria University, Melbourne

young people became NEET than would normally be the case. Between May and August, only 7,800 new jobs were filled by 15 to 24 year olds, and the numbers of those studying has decreased by more than 50,000 since the same time the previous year.⁴

Total employment for 15 to 24 year olds who are not studying.



Source: Mitchell Institute analysis of ABS (2020d) data. Data have been seasonally adjusted using SEATS method.

Apprenticeships and traineeships provide both employment and education to young people. As mentioned above, this has been acknowledged by the Federal Government through its \$1.2 billion investment in the Boosting Apprenticeship Commencements program. This strength of the model should be highly valued, and ways to expand its reach should be further investigated.

What are the weaknesses?

The apprenticeship/traineeship model has some weaknesses, which can indicate where improvements can be made. These weaknesses include:

- The reliance on the offer of a training contract from an employer;
- Difficulties in attracting people to apply for apprenticeships and traineeships;
- The variable quality of training from employers and training providers;
- A preponderance of qualifications at the Certificate III level; and

⁴ *ibid*

- Poor completion rates.

The key strength of an apprenticeship or traineeship – the link to paid employment – is also its greatest weakness. If employers are not hiring, for whatever reason, there are no apprenticeships and no traineeships. The pandemic has seen a big increase in apprentices and trainees having training contracts cancelled or suspended. The prospects for new apprentice and trainee commencements is even bleaker, with one report noting a 22 per cent decrease in commencements in the four months to July 2020 compared to the previous 12 months,⁵ before the Melbourne lockdowns started to have their full impact on the economy. A lack of apprentice and trainee commencements now will lead to industry-wide skills shortages at a future date. The NSW Productivity Commission Green Paper noted:

“... when industries do begin to recover, they will not find the skills to satisfy their needs, because the training pipeline will have been disrupted. Given the long lead time required for apprentices to qualify, skills shortages and cost escalations will hinder the state’s economic recovery.”⁶

A lack of apprenticeship and traineeship commencements will also have a negative impact on career opportunities available to school leavers and other young people. Data collected by the Victorian Government Department of Education and Training indicates that 8 per cent of Year 12 completers in Victoria take up an apprenticeship or traineeship. For early school leavers the figure is 33 per cent.⁷ Of the roughly 150,000 people who commence apprenticeships and traineeships each year, almost half of them are aged 19 years or younger and a further 20 per cent are aged under 25.⁸

Attracting people to apply for apprenticeships and traineeships can be another weakness. Regardless of the nature of the work, the low wages can be a disincentive for people to apply. Other factors that have been nominated by young people include the time it takes to complete, a perception of poor working conditions for both apprentices and tradespeople, and a lack of information about apprenticeships.⁹

The inconsistency of training offered by both employers and training providers is another weakness. Most employers take on apprentices for the right reasons, but there are some only interested in exploiting low wages. Other employers may be only able to offer a limited exposure to the skills an apprentice needs to learn. Similarly, some training providers seem more interested in being paid for delivery than in offering a rich learning experience, or use old, outdated learning materials and equipment in their courses.

Most traditional apprenticeship qualifications are at the Certificate III level, as are most traineeship qualifications. NCVET data for the quarter ending 31 March 2020 show that 80 per cent of commencements were at the Certificate III level. Certificate IV commencements made up 7.8 per cent of the total and commencements at the Diploma or above level made up only 3 per cent.¹⁰

Poor completion rates have also been a disappointing feature of apprenticeships and traineeships in recent years. The latest data show that 56.8 per cent of apprentices and trainees complete their training contract,¹¹ although this compares favourably with completion rates for VET qualifications generally (49 per cent).¹² Research into apprenticeship and traineeship completion rates consistently reports that the main reasons (73.1 per cent) for apprentices and trainees not completing are employment related, with the two

⁵ <https://www.theaustralian.com.au/nation/apprenticeship-and-traineeship-plunge-to-hit-twodecade-low/news-story/1e834a5218b5c6770fd62ec12c35d9cf>

⁶ Productivity Commission Green Paper: Continuing the productivity conversation, NSW Treasury 2020

⁷ On Track 2019: Destinations of Victorian School Leavers, Department of Education and Training 2020

⁸ Australian VET statistics: apprentices and trainees 2020 — March quarter, NCVET, Adelaide

⁹ Misko, Nguyen and Saunders, Doing an apprenticeship: What young people think, 2007, NCVET, Adelaide.

¹⁰ Australian VET statistics: apprentices and trainees 2020 — March quarter, NCVET, Adelaide

¹¹ Completion and attrition rates for apprentices and trainees 2019, NCVET, Adelaide

¹² Total VET students and courses 2019, NCVET, Adelaide.

most cited responses being not getting on with the boss or others at work (11.9 per cent) or losing their job or being made redundant (11.7 per cent).¹³

How can apprenticeships and traineeships be improved?

Reliance on a Training Contract

The weaknesses highlighted above suggest areas where improvements can be made, although the immediately obvious answer may not always be the right one or the only one. There is no doubt that the lack of apprenticeship and traineeship vacancies arising from the pandemic will create skills shortages for industry in the future and will also significantly impact on career opportunities for school leavers and other young people.

The responses to address this lack of vacancies have fallen into two categories: increase the incentives to employers to encourage them to employ more apprentices and trainees, or look to other ways of training young people in the skills learned through an apprenticeship or traineeship. This is mainly a consideration for those apprenticeships in the traditional trades. Many traineeship qualifications can be undertaken without a training contract, but this is not the case for most apprenticeship qualifications.

Increasing incentives for employers means that the connection between apprenticeships and traineeships and acquiring vocational skills remains linked to a job. As noted above, this means that all of those benefits of linking skills acquisition to employment remain. There are other good reasons for increasing incentives to employers. Ignoring the temporary Supporting Apprentices and Trainees program and Boosting Apprenticeship Commencements program, expected to expire in March 2021 and September 2021 respectively, the financial incentives for employers have changed little for the past 20 years. On the other side of the equation, enrolment fees for RTO training have risen substantially in some states, apprentice wages rose significantly as a percentage of trade wages in 2013,¹⁴ and the introduction of competency based progression saw many apprenticeship terms effectively reduced by as much as 12 months.

When an employer weighs up the cost of employing an apprentice, financial considerations are not the only criteria. Some are motivated to do something for the community, to help out an individual, or to ensure a pipeline of skills for the future. However, cost is always an important factor, as it is with any business decision. Over time, the financial equation of weighing up incentives against wages, enrolment fees, durations and supervision costs, has made the employment of apprentices less attractive.

Ai Group believes that incentives need to be revisited in acknowledgement that costs have increased markedly over 20 years and to restore some balance in the financial equation.

Trade-based qualifications are purposefully designed for delivery through an apprenticeship pathway. They are recognised through a formal training agreement and the apprentice receives formal training in conjunction with employment. However, there have been many instances over time of trade-based qualifications being delivered through institutional-only pathways. This has caused a great deal of friction and mistrust between many of the stakeholders in the vocational sector. It has also contributed to some poor employment prospects for the individual. Employers are reluctant to acknowledge the outcome of a trade-based qualification that is not developed in conjunction with work.

If a qualification was to be delivered only in an institutional setting for a trade outcome it would be designed differently. Accommodation would be made to mitigate the lack of sustained application in the context of work. Trade-based qualifications that are designed to be delivered through an apprenticeship

¹³ Australian VET statistics: Apprentice and trainee experience and destinations 2019, NCVET, Adelaide

¹⁴ For example, a first year apprentice's rate of pay increased from 42% of trade rates to 55% for Year 12 completers and 50% for others (Fair Work Commission Transitional Review of Modern Awards — Apprentices, Trainees and Juniors: Common Claims – August 2013).

pathway should be flagged accordingly as part of the endorsement process. We should move past the spurious argument that places parity of both institutional and employment-based pathways. They are different in terms of both delivery and outcome. The design of the qualification, where justified, should also be differentiated.

On face value, recommendations for institutional pathways have some attractions during a recession when the vacancies are not on offer, especially if they can attract more people to seek careers in skills shortage occupations. However, Ai Group recommends caution in approving such models.

Industrial Awards contain pay rates for junior and adult apprentices, and pay rates for qualified tradespeople. It is presumed that graduates of an institution-only pathway would be expected to be paid as qualified tradespeople. The question to be asked is whether employers would pay one of these graduates the same rate as someone who has not only completed the same qualification but also has up to four years of work in that trade. Will employers see them equally? Would they preference apprenticeship graduates? Would they seek to discount the wages of institution-only graduates? These are questions that need to be considered.

If governments decide to allow institution only pathways for some cohorts, they must be convinced that employers will accept people who have completed these pathways as equivalent to a person who has completed an apprenticeship. The wages that employers should pay for graduates with no relevant work history will be an important consideration. Ai Group recommends that further research into how these graduates would be received by employers needs to be conducted before decisions are made. The worst scenario would be for young people who are encouraged to undertake an institution-only pathway and then find they are unemployable.

In collaboration with the National Australian Apprenticeship Association, Ai Group workshopped the benefits of the traditional model of apprenticeships with three scenarios of possible cohorts undertaking an institution-only pathway. The four groups were categorised as:

Apprenticeship	<ul style="list-style-type: none"> • Apprentice straight out of Year 12 • No pre-apprenticeship • 3.5 year duration • Competency progression each 10.5 months
Scenario 1	<ul style="list-style-type: none"> • Year 12 school leaver • Works as full-time labourer • Undertakes Certificate III after work hours • Completes Certificate III in two years
Scenario 2	<ul style="list-style-type: none"> • Year 12 school leaver • Undertakes Certificate III as full-time student (including some work placements) • Completes Certificate III in two years • First full-time job is as tradesperson
Scenario 3	<ul style="list-style-type: none"> • Existing full time worker in related field • Continues to work full-time • Undertakes Certificate III after work hours • Completes Certificate III in two years

We considered each aspect from the employer's and the apprentice/learner's perspective. Our considerations of the employer's perspective focused on the quantifiable and universal, such as the cost of wages and training, whether the employee works full time or needs to be released for training, and the cost

of supervising each group, noting that the training contract for an apprentice carries greater obligations for the employer.

For the employee, considerations included wage rates they would receive, whether they bear responsibility for enrolment fees for training, whether the formal training is inside or outside work hours, how much training they could expect on the job from their employer and access to financial assistance.

We did not consider more personal considerations such as the desire to work in a trade or to gain a qualification, or the desire to help out an individual to achieve their goals.

Equation for Employers

	Apprentice	Scenario 1	Scenario 2	Scenario 3
Weekly wage rates	✓ reduced	✗ labourer	✗ trade	↔ labourer
Training costs	✗ \$3,000	✓ Nil	✓ Nil	✓ Nil
Time spent on the job	✗ 0.8 FTE	✓ 1.0 FTE	✓ 1.0 FTE	✓ 1.0.FTE
Supervision costs	✗ Safety Training Manage	✗ Safety Manage	✗ Safety Manage	✓ Manage
Government incentives	✓ \$4,000+	✗ Nil	✗ Nil	✗ Nil
Time before needing to pay trade rates	✓ 4 years	✗ 2 years	✗ none	↔ 2 years

Equation for Employees

	Apprentice	Scenario 1	Scenario 2	Scenario 3
Weekly wage rates	✗ reduced	✓ labourer	✓ trade	↔ labourer
Training costs	✓ Nil	✗ \$3,000	✗ \$3,000	✗ \$3,000
Training time	✓ Work hours	✗ Do in own time	✗ Do in own time	✗ Do in own time
On-the-job training	✓ Training Contract	✗ No guarantee	✗ No guarantee	✗ No guarantee
Trade support loans	✓ \$20,000	✗ Nil	✗ Nil	✗ Nil
Time before receiving trade rates	✗ 4 years	✓ 2 years	✓ none	✓ 2 years

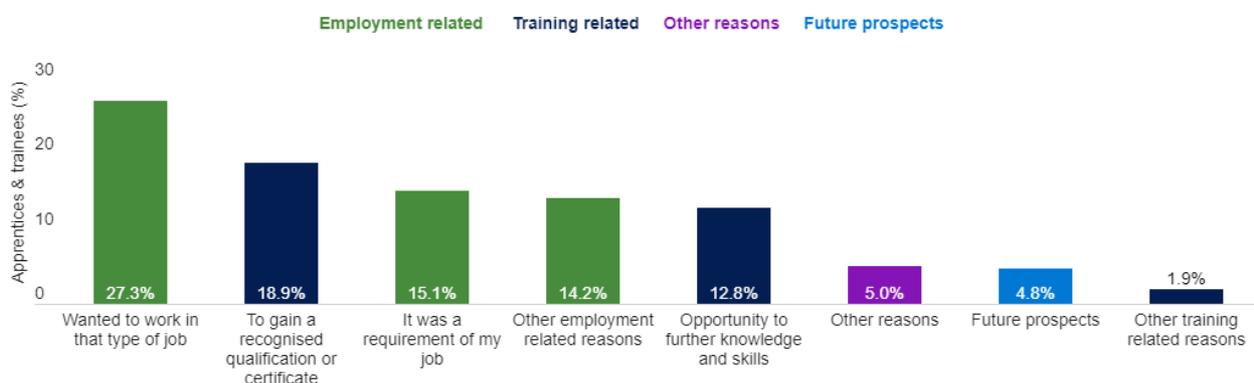
Our analysis of each scenario is that for an employer, the apprenticeship pathway is the better option. For the employee, the only consideration that is more attractive than the apprenticeship pathway is access to higher wages. For some, this will be a powerful motivator, especially for older workers with financial responsibilities.

For the employer, there are benefits in not paying training costs and having the worker available on a full time basis, but these aspects need to be weighed up against the lower wages paid to an apprentice, and access to financial incentives. Again, this highlights the importance of revisiting these incentive rates.

Difficulties in attracting people to apply for apprenticeships and traineeships

Most industries raise issues about attracting young people to apply for apprenticeship and traineeship pathways. Some occupations, such as electrical and carpentry, rarely have problems in finding applicants, but most generally report lower levels of interest. This may change if there are fewer options available because of the downturn.

Main reason for undertaking an apprenticeship or traineeship.



Source: *NCVER Australian VET statistics: Apprentice and trainee experience and destinations 2019.*

NCVER found that of those who undertook an apprenticeship or traineeship, only 4.8 per cent nominated future prospects as their main reason for embarking on the process.¹⁵ This is despite the research that shows 87.7 per cent of those who complete their training contract are employed after completion. This suggests that more can be done to highlight the benefits of acquiring skills through an apprenticeship or traineeship.

The National Careers Institute has been established to ensure people have access to authoritative and accurate careers information because of concerns that school career teachers greatly favour university pathways. For young people, careers support should be incorporated into careers resources and counselling, with increased support for innovative industry- school engagement projects.

It is encouraging to see that the NCI is taking action to ensure VET pathways gain greater prominence in careers information available to young people.

The variable quality of training from employers and training providers

Not every employer is suited to engaging apprentices or trainees. Some may be more interested in the financial aspects, such as low wages and incentives, than the long term benefits of training new entrants to their industry. This group of employers may make up a small percentage, but their presence and the stories that emerge in the media about exploitation and bullying can provide a negative view of the whole model.

Ai Group does not propose that employers should go through an approval process before employing an apprentice or trainee, as is done in South Australia. Adding additional administrative barriers will not help to attract more vacancies. However, all employers who sign a training contract are visited personally by a representative from one of the Australian Apprentice Support Network (AASN) providers. These field officers can often identify those employers that may not be fully prepared for an apprentice or trainee. AASN providers receive their funding according to the number of successful sign-ups they can register.

Ai Group suggests that funding mechanisms for AASN providers could be reviewed to allow them to assess a workplace suitability for a training contract. They can also alert state regulators to particular concerns.

¹⁵ Australian VET statistics: Apprentice and trainee experience and destinations 2019, NCVER, Adelaide

The quality of training by training providers can also be improved. Ai Group has previously noted that employers have concerns about the variable levels of government funding for TAFEs and about training programs that do not keep up with technical developments or new methods being applied in the workplace.¹⁶ Some of these concerns can be addressed by providing increased funding to training providers for skill intensive programs

Another concern with training providers lies with the implementation of competency-based pay progression and completion for apprentices. As noted above, some apprenticeships have effectively been shortened by as much as 12 months. The main reason for this is that training providers do not allow for the consolidation of skills in the workplace before they ask employers to verify an apprentice's competence. This is because funding from state governments for providers is based on successful completion for each separate unit of competency. Ai Group recommends a review of funding arrangements to ensure it is not driving early completions before apprentices are ready.

A preponderance of qualifications at the Certificate III level

As noted above, most traditional apprenticeship qualifications are at the Certificate III level, as are most traineeship qualifications. If the apprenticeship model is to be encouraged to grow, it could be successfully applied more broadly than to trade-based or Certificate III qualifications. The model has great potential to be adapted as a major work-based learning pathway at technician and para-professional levels and beyond. Graduates from such a model would develop highly valued contemporary skills and employability, blending the best from vocational and higher education. These pathways may have an appeal with new and emerging technologies that are deployed in workplaces long before the education and training system can adapt. They may also be suitable candidates for the new Diploma stream of three qualifications made available in the revised AQF. This would also enable horizontally diversified provision.

Ai Group's Industry 4.0 Higher Apprenticeship is an example of how the model can work at higher levels. The initial pilot in Victoria, funded through the Apprenticeship Training - Alternative Delivery Pilots program, trained 20 higher apprentices in digital technologies. Since then, employers have demonstrated an appetite for apprenticeships and traineeships at this level by signing people into the program across Australia, with groups already commencing in South Australia, New South Wales and Queensland, despite the pandemic.

Ai Group welcomes the proposal by the Mitchell Institute to establish a National Job Cadet Program. This proposal is to create 'cadetships', effectively higher level apprenticeships, at the Diploma and Bachelor's degree levels. Employers would sign a training contract with the young person and would provide employment and on-the-job training in their chosen skill area, and the young person would undertake formal training at that higher level.

The initial target for cadetships would be in entry-level higher qualifications in areas where there is forecast growth and where employment pathways are not already available. The Mitchell Institute also proposes an accompanying model whereby a person who has already completed a relevant qualification can sign a training contract for a shorter period and complete a smaller training program such as a micro-credential.¹⁷

The continued broadening of employment-based qualification pathways will also assist with the need to retool the nation. Developing new and different skills utilising the right digital technology will be increasingly important. This has major implications for our education and training provision, as well its intersection with work. The apprenticeship system sits neatly in this space. It is capable of providing a high-quality, fully integrated learning and employment experience at the leading edge of economic

¹⁶ Workforce Development Needs Survey Report, Ai Group 2018

¹⁷ Dawkins, Hurley and Lloyd, Averting an Escalating Labour Market Crisis for Young People in Australia: A Proposed National Job Cadet Program, 2020, Mitchell Institute, Victoria University, Melbourne

transformation. The education and training system should not always have to chase the future; it should be part of it.

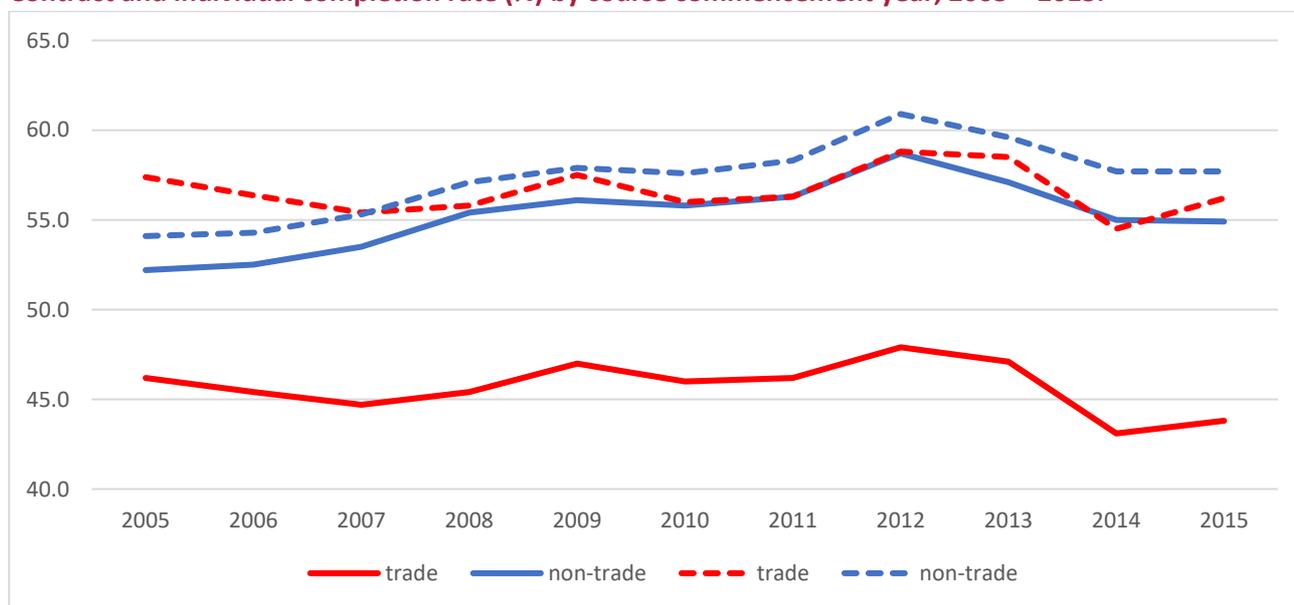
This model would allow us to acknowledge that some individuals will train in order to gain work; others will build their learning through work. Either way, the strength of work-based learning models will be important. Qualifications will need to be designed differently, chunked differently and be accessible across contexts in many more varied and timely ways. Many of the growth industries increasingly require higher levels of skills. The tacit limitation of the apprenticeship model — the delivery of Certificate III trade skills alone — will render the apprenticeship system unable to meet many of the challenges of the digitised economy.

For the employment-based pathways and the apprenticeship system to realise their potential as being highly effective skills-development pathways while individuals are in employment, considerable reform is required. The qualifications undertaken will need to evolve to include new skills and different jobs. Not only will these need to be closely linked to our transforming workplaces, they will increasingly require integration across vocational and higher education. A tertiary education sector that understands and commits to enhance the pathways and outcomes across both sectors building on the strengths of vocational education and higher education is fundamental.

Poor completion rates

Completion rates for apprenticeships and traineeships continue to worsen. NCVER’s latest annual completion data were released in July 2020 and show national contract completion rates have declined to 49.1 per cent for all occupations and 43.8 per cent for trades. Individual completion rates are 56.2 per cent for trade occupations and 57.7 per cent for non-trade occupations.

Contract and individual completion rate (%) by course commencement year, 2005 – 2015.



Source: NCVER (2020), *Completion and attrition rates for apprentices and trainees 2019*

NB: Contract completions are mapped in red, individual completions are mapped in blue

When observing completion rates over the past decade, they seem to have been slightly improving for apprentices up until those who commenced in 2012, where the rate has come down markedly, from 58.8 per cent to 54.5 per cent over two years. The same thing happens for trainees, where the rate has declined from 60.9 per cent to 57.7 per cent.

It is disappointing that the numbers haven't shown much improvement over the past decade. The Industry Specialist Mentoring for Australian Apprenticeships Program started in 2017 and potentially had an impact, but data from that period is not yet available, and the program concluded in December 2019.

Ai Group has previously suggested other strategies to improve completion rates. Research shows that apprentices' employment experiences accounted for 33 per cent of non-completions. The most commonly cited reason given by non-completing apprentices was "did not get on with boss or other people at work".¹⁸ This points to either poor matching at recruitment or poor supervision. That same report found that employers with the highest completion rates generally have larger, experienced companies with well-organised systems for managing and recruiting apprentices. Employers with lower completion rates tend to be operating smaller companies and have less experience.

Most employers that take on apprentices have small companies. Sixty-three per cent of employers have only one apprentice; these employers need to be supported to help their apprentices complete. They need help to improve their recruitment practices, and help to improve how they manage their apprentice after they commence, including understanding their obligations. Professional development workshops for apprentice supervisors have been trialled at different times with positive results; however, they have not always reached those employers who need help the most. Encouragement for new employers, or employers seeking additional support, to attend a workshop when eligible for incentives could help extend the intended audience.

Conclusion

Apprenticeships and traineeships are highly valued in every country that uses the model. They help young people gain skills and knowledge for a career at the same time as gaining experience in the workplace. They enable people to earn money while learning, and they ensure that what they learn is consolidated through immediate application in real situations. Employers have long valued this direct application of learning to the work that needs to be done.

Apprenticeships and traineeships are not perfect. They rely on the strength of the economy and the goodwill of employers to create opportunities. They struggle to attract candidates because of perceptions that university qualifications are more desirable. Their quality can vary according to individual employers and training providers, and they are too concentrated at Certificate III levels.

However with some enhancements - to ease the financial burden on employers; to improve their attractiveness to young people; to help employers and training providers provide better experiences; and to open up their availability to higher level skills - the apprenticeship and traineeship model can become better suited to the modern labour market. In a period where skilled migration is likely to be curtailed for some time, this will help the Australian economy recover from this enforced recession with a skilled workforce in place to assist future growth.

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¹⁸ Bednarz, A. (2014), *Understanding the non-completion of apprentices*, NCVER