
GROUP TRAINING: SKILLS, JOBS, FUTURES

A SUBMISSION BY GROUP TRAINING AUSTRALIA LTD. TO THE FEDERAL
GOVERNMENT SUPPORTING THE DEVELOPMENT OF THE 2002/2003 FEDERAL
BUDGET

Background

Skilling Up Australia, the government's vocational education and training policy launched during the 2001 election campaign, stated:

'Group Training Companies have enormous potential to increase opportunities for small business to access the New Apprenticeship system, thereby increasing opportunities for young Australians. The coalition is committed to supporting Group Training initiatives to improve choice and quality of training'.

The group training network has made a significant contribution to the creation of skills development and employment opportunities for Australia's young workforce since its beginnings in the late 1970s. Group Training Australia and the national network of over 120 Group Training Companies it represents, is well placed to support the Federal Government's employment and training objectives in the 2002/2003 Budget.

The group training network is in a unique position amongst the various labour market intermediaries working to expand entry level training opportunities for young people. As the largest employer of New Apprentices in Australia, the network is playing an important role in translating the Federal Government's growth targets for entry-level training into reality.

The recent national review of group training has confirmed just how successful the national network has been in this endeavour. According to research by the National Centre for Vocational Education Research (NCVER), reported in the National Review of Group Training: Consultation Paper, February 2002:

- group training apprentice and trainee numbers have doubled over the period 1995-2000 to over 38,000,
- over the same period, group training organisations increased their market share by 1% to some 14% , a considerable achievement considering this occurred during a period of rapid growth in the sector as a whole,
- group training companies are the biggest employers of apprentices and trainees and account for almost half of school-based New Apprenticeships,

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- completions in GTOs have grown at a slightly higher rate than completions overall; and
 - job outcomes from group training apprenticeships and traineeships are high and comparable with job outcomes from apprenticeships and traineeships in general.

However, this success has been achieved despite an ever increasing array of difficulties being experienced by Group Training Companies (GTCs) in the course of doing business. These operating issues were raised during the recent national review of group training and are given prominence in the final report.

Group Training Australia believes that government must maintain, if not strengthen its support for group training, if our network is to fulfil its charter and achieve the goals of Skilling Up Australia.

In particular, GTA believes that with the support of government, the group training network will be able to:

- increase the number of New Apprentices while ensuring they receive high quality training;
- facilitate greater access to training for small and medium sized employers;
- provide equitable access to quality outcomes for members of disadvantaged target groups;
- enhance the opportunities for senior secondary school students to participate in mainstream vocational education and training;
- employ New Apprentices in higher level AQF programs; and
- respond to features of the New Economy such as the increasing casualisation of the workforce.

In addition to its capacity to deliver these outcomes, group training companies have extensive involvement with the local communities they serve. This represents significant social capital, and an attendant capacity to influence behaviour at the local level, in addition to their physical assets and infrastructure. It means that the group training network is well placed to assist governments with other aspects of social and industry policy, including:

- the promotion of life long learning;
- the development of learning communities; and
- community development and job creation

Some examples of this in action are the work that group training companies are doing with Area Consultative Committees, Local Learning and Employment Networks, Learning Towns, as well as community development projects sponsored by organisations such as The Hornery Institute and the ACTU – Lend Lease Foundation.

Summary of Group Training Australia's Submission

This submission seeks an enhancement of Federal Government financial support for group training in the following areas.

- 1. Training to facilitate the implementation of the outcomes of the national review of Group Training:** funding to ensure that the network is equipped to deal with recommendations of the national review, particularly those relating to the implementation of the national standards
- 2. Introduction of a Pre-apprenticeship Training Program:** a program to provide pre-apprenticeship training to school leavers and mature age people
- 3. Group Training Companies to be made Eligible for the \$1500 Completion Payment**
- 4. Relief from the Increasing Cost of Workers Compensation and other Insurances:** funding to relieve the burden of the increasing cost of insurances such as workers compensation and public liability
- 5. Goods and Services Tax:** Group Training to be compensated for (1) the loss of competitive advantage with the abolition of the wholesale sales tax; (2) the adverse impact on cash flow caused by GST; and (3) the compliance costs of the GST.
- 6. Living Away from Home Allowance (LAFHA):** eligibility for LAFHA to be extended beyond the 1st year of a New Apprenticeship
- 7. Extension of DAWS to include traineeships:** eligibility for the Disabled Apprentice Wages Subsidy (DAWS) to be extended to include trainees.

Each of the proposals is designed to facilitate the achievement of Group Training Australia's objectives for 2002/2003 which, in turn, will make a significant contribution to the Federal Government's objectives for the skilling of Australia's young people.

1. Training to facilitate the implementation of the outcomes of the national review of Group Training

Background

The national review of Group Training, which began in June 2001, is nearing completion and will include a number of key recommendations dealing with future funding and regulatory arrangements for group training for consideration by ANTA MINCO at its meeting in May 2002.

The recommendations dealing with quality arrangements propose the introduction of a set of national standards modelled on the AQTF. GTA supports the introduction of this regulatory and quality framework.

GTA is concerned however about the need for training to support the implementation of the standards, particularly standards relating to corporate governance and financial management.

Both matters have been the subject of previous funding submissions for the development and delivery of training to assist GTCs improve their operating performance.

Corporate Governance

In 1999, GTA received funding from ANTA to develop and deliver training to the directors and CEOs of GTCs on board leadership and corporate governance. The training was followed by the development of a Director Induction and Due Diligence Kit to be used by boards for inducting new directors, as well as a series of eight corporate governance updates produced during 2000 and 2001 on topical issues in corporate governance.

The program was highly successful but, as funding was limited, it suffered from lack of penetration into the network. The reason is the difficulty of getting honorary directors to leave their businesses or places of employment for a day's training, which in most cases required them to travel long distances to a capital city necessitating overnight stays.

GTA believes that in order to have any hope of gaining greater access to directors, training would have to be delivered in more regional centres than occurred last time, failing which some kind of on line program could be developed that would enable directors and managers to learn in their own time and at their own pace.

Financial Management

The proposed national standards for Group Training also include a standard on effective financial management. In this context there will be a need to assist managers and directors to develop financial benchmarking tools and performance indicators to use in monitoring their company's performance.

In 1999, GTA proposed to the Group Training Steering Committee, a standing committee chaired by ANTA, that funding be provided to implement a national financial ratings service for GTCs. This service would have provided each GTC with key financial ratios based on their accounts, as well as some comparative data with other GTCs, allowing for operating differences. Each company would then have had the option of subscribing on a fee-for-service basis to the service for six monthly updates.

The proposal did not find favour at the time.

Proposal

Group Training Australia (GTA) proposes the Commonwealth fund a national program administered by GTA to assist all GTOs to fully implement the national standards for group training and to ensure ongoing compliance.

2. Introduction of a Pre-apprenticeship Training Program

Background

GTA has had considerable success in assisting disadvantaged job seekers to gain New Apprenticeships through the pre-vocational training they have received under the New Apprenticeship Access program.

The pre-vocational training that is available under NAAP has made it possible for many job seekers to obtain an apprenticeship or traineeship that otherwise is unlikely to have been available to them.

Many GTCs have indicated that pre-apprenticeship training of this kind has enormous benefits for many prospective New Apprentices, regardless of their socio-economic circumstances. Of course, this is a costly approach that relatively few companies are able to offer without assistance.

Experience from the days when pre-apprenticeship training was available demonstrates that the results can be exceptional. The provision of pre-apprenticeship training has a number of advantages over placing raw recruits into the work place. These include:

- New Apprentices arrive in the work place ('hit the shop floor') with vocational skills that make them more productive and much more attractive to host employers
- New Apprentices are generally more certain of their career choice by the time they have received the up-front training and the pastoral care provided by the GTC and are much more likely to complete their contract of training and remain with their chosen trade
- Pre-apprenticeship programs accelerate skills development and are particularly useful in addressing skill shortages

Following representations from GTA in its capacity as a major NAAP broker, year 12 school leavers who are deemed to be at risk of long term unemployment, are now eligible for assistance under NAAP. Centrelink will no doubt use a range of factors to determine what might put a year 12 school leaver 'at risk', including a low, or no, tertiary entrance score.

GTA has always argued that many year 12 school leavers' chances of gaining a New Apprenticeship are enhanced by pre-vocational training. The more so since the expansion of the tertiary sector means that the cohort that is now presenting as candidates for New Apprenticeships is generally less well equipped for the demands of such positions and is in need of more preliminary training.

NCVER has recently commissioned research into the nature of pre-apprenticeship and pre-vocational training, the results of which we expect will confirm the benefit to the system of this training being more widely available.

There is a second group of potential New Apprentices that evidence suggests would benefit enormously from the availability of pre-apprenticeship training. This is the increasing number of mature age workers, some of whom have left the workforce as a result of industry restructuring and could be enticed back into the trades if some form of accelerated re-skilling were available, or those who have not left but are wanting to retrain, largely in order to exit a moribund industry.

The only members of this latter group that might be eligible for assistance under NAAP would be a mature worker that had been out of the workforce long enough to qualify as long term unemployed, or had one of the other characteristics relating to, say, disability or ethnicity.

Proposed Program

GTA proposes the establishment of a program that would enable employers to provide pre-apprenticeship training to job seekers who have completed year 12, irrespective of results, or to mature age workers returning to the work force or seeking to change occupations or industries. Such a program existed in previous years and is still considered by GTA to have been one of the most effective mechanisms for facilitating skills development.

GTA is proposing the introduction of a wage subsidy to employers who provide New Apprentices with pre-apprenticeship training.

The subsidy would be paid to any employer who:

- has employed a New Apprentice at AQF 3
- in an occupation or trade which is experiencing skill shortages; and
- sends the New Apprentice to a pre-apprenticeship course of at least 16 weeks duration.

GTA believes that a subsidy in the order of \$3,500 which is approximately the value of 16 weeks pay at an average 1st year apprentice wage, would be an attractive proposition for many employers and would certainly be so for most Group Training Companies.

This scale might require adjusting for mature age workers who are reluctant to engage in employment based training because of the low rates of pay at a time of life when they have higher expectations and/ or financial commitments beyond those of the average 17-21 year old.

Funding Sought

GTA believes that this should be an uncapped program like New Apprenticeship Employer Incentive payments with the subsidy available to all employers who meet the eligibility criteria.

3. Group Training Companies to be made Eligible for the \$1500 Completion Payment

Background

The Federal Government made significant adjustments to the training incentive payments in the 1996/97 and 1997/98 Budgets. The adjustments have had a substantial and negative impact on Group Training Companies because:

- overall incentive payments for apprentices were lowered from \$4000 to \$2500; and
- 'not for profit' companies, which comprise the vast majority of Group Training Companies, were denied access to a completion payment for apprentices completing AQF III and IV.

The completion payment to 'for profit' companies was seen by the Federal Government as reimbursement for the effect of abolishing the tax exemption previously available for apprenticeship training incentives under the former CRAFT scheme. The decision to abolish the tax exempt status of ATI incentive payments followed a report of The Allan Consulting Group to the Federal Government on the impact of restrictions on entry-level training incentives available to large employers (100+ employees). The Allen report also suggested that the restoration of an equivalent nominal payment to (for profit) employers of apprentices could take the form of a completion payment.

The reduction in the value of employer incentives from \$4,000 to \$2,500 simply created additional financial difficulties for GTCs, already under pressure financially because of reductions in the value of funding received under the Joint Policy, while over the same period operating costs have increased significantly. The problem has been further exacerbated by two factors:

1. other not-for-profit organisations continue to be eligible for the completion payment; and, more importantly
2. GTCs suffer from their competitors using GTC ineligibility for the completion payment against them when marketing New Apprentices to prospective employers

While GTA has consistently argued for GTCs to be made eligible for the completion payment, it is **now an issue that we will take up in the context of the Commonwealth review of employer incentives**. Given the reality that the employer incentives are an important source of revenue for GTCs, the issue also has bearing on new funding arrangements that are being debated as part of the current national review of group training.

4. Relief from the Increasing Cost of Workers Compensation and other

Insurances: funding to relieve the burden of the increasing cost of insurances such as workers compensation and public liability

Background

The cost of workers compensation premiums continues to be a problem for many Group Training Companies in most States and Territories. GTCs suffer the increasing cost of workers compensation more than most other employers because the majority of their employees, the apprentices and trainees, are for the most part young people who are those most at risk of injury. This situation is further exacerbated for those companies operating principally in industries with high accident rates, such as building and construction.

The experience of many GTCs in recent times is that premiums have continued to rise despite significant improvements in claims history.

As the problem of workers compensation is one for State and Territory governments, GTA State and Territory associations have been primarily responsible for lobbying on this matter. Most have been unable to secure any meaningful reform on this vexed issue.

In its April 1997 paper **National Principles for Group Training: Recommendations and Report on Public Consultations**, ANTA recommended, inter alia, (Recommendation 10) that:

- *further work be done to develop and implement specific strategies to:*
 - *support the uptake of entry level training opportunities by small businesses, including those addressing concerns about workers compensation premiums*

This recommendation was subsequently endorsed by ANTA MINCO.

GTA has constantly advised ANTA, including during the course of the current national review of Group Training, of the ongoing problem of the cost of workers compensation premiums for many companies, and the impediment that this represents to employment, and reminded ANTA that nothing has ever been done to give effect to the above MINCO recommendation, at least where workers compensation is concerned.

GTA has explored a number of options in recent times in its quest for a solution to this problem but there has so far been no practical solution to the problem. We are currently

awaiting advice from the Safety, Rehabilitation and Compensation Commission and the Department of Employment and Workplace Relations (DEWR) on the eligibility requirements of a national scheme available through the Commission and the associated advantages and disadvantages.

In the meantime, the National Review of Group Training Steering Committee has agreed that, in view of the apparent size and complexity of this problem, which now includes the burgeoning costs of public liability insurance, it should include a recommendation to ANTA MINCO for further action on this issue as part of the national review.

Proposal

GTA proposes that the government fund a study into the impact of the increasing cost of insurances on GTCs, with particular emphasis on the cost of workers compensation premiums.

5. Goods and Services Tax: Group Training to be compensated for (1) the loss of competitive advantage with the abolition of the wholesale sales tax; (2) the adverse impact on cash flow caused by GST; and (3) the compliance costs of the GST.

Background

Group Training Australia has made representations to the government about its concern that the imposition of the GST would have an adverse impact on the operations of Group Training.

Some GTCs have reported a loss of existing host employers as a result of the imposition of the GST. Others contend that it has become more difficult to recruit new host employers because their apprentices' wages will be subject to GST when using a GTC.

In addition to any loss of business, GTA is particularly concerned about three other aspects of the imposition of the GST on Group Training.

The first is the impact on the competitiveness of Group Training. Group Training Companies were established as not-for-profit companies to meet the training and employment needs of small businesses, who it is generally agreed would be unlikely to participate in employment based training if the Group Training option were not available.

GTCs provide a high level of support to their host employers and particularly to their apprentices and trainees during the period of their indenture. GTC field officers are responsible for pastoral care and for ensuring that quality on-the-job training is being delivered to the apprentice and trainee.

In their capacity as not-for-profit providers of employment and training services to apprentices and trainees, GTCs enjoyed an exemption from wholesale sales tax which was estimated by the former Minister for Schools, Vocational Education and Training, Senator Chris Ellison to be worth some \$7m to the Group Training network. This is more than a third of the amount provided under Joint Policy funding.

With the introduction of the GST, Group Training Companies have lost a benefit that has provided them with a competitive advantage over for-profit companies that are also placing apprentices and trainees but do not necessarily provide them with the same level of support during the period of their indenture.

The previous sales tax exemption enabled Group Training Companies to compete with for-profit competitors, without compromising the level of pastoral support GTCs provide to apprentices and trainees, precisely because they enjoyed lower costs of doing business. This advantage has disappeared with the introduction of the GST and the abolition of sales tax.

The second concern with the loss of sales tax exemption relates to its impact on cash flow. While no doubt a number of GTCs are in the favourable position of holding more GST collections than they are owed in input tax credits, there are still a number of companies whose cash flow has been adversely affected.

Most GTCs report that the imposition of the GST has caused host employers to delay payment of invoices. For those companies reporting on an accruals basis and remitting GST to the ATO monthly, the increase in outstanding debtors resulting from the GST has meant that those companies are remitting funds which they have yet to collect. Overdrafts must obviously be extended to meet this shortfall.

The third concern, that the government is already well of aware from feedback from the small business sector, is the compliance cost to GTCs of collecting the GST. Again, many GTCs report having to hire additional accounts staff to deal with the additional bookkeeping required to collect and remit GST.

All of these imposts have occurred as the value of government support to Group Training has been diminishing.

This is particularly true of the value of the per capita funds that are provided to Group Training Companies under the Joint Policy. Figures provided by the Australian National Training Authority to the Group Training Steering Committee have shown how the value of these grants have diminished in real terms over the life of the current funding model.

Proposal

GTA proposes that GTCs be compensated for the adverse financial effect that the different aspects of the GST outlined above have had on the operations of Group Training Companies.

GTA believes that the most effective mechanism for providing this compensation would be through the Group Training Joint Policy. This pool of funds, which is administered by the State Training Authorities (STA), should be augmented to enable the STAs to make the

necessary adjustments to their funding formulae to compensate GTCs for the above effects. This would go some way to restoring the value of these funds to the network.

Funding Sought

Group Training Australia seeks:

- an immediate increase of 10% in the quantum of Joint Policy funding to compensate for the effects of the imposition of the GST; and
- the indexation of the value of the funds each year thereafter.

6. Living Away from Home Allowance (LAFHA): eligibility for LAFHA to be extended beyond the 1st year of a New Apprenticeship.

Background

Many GTCs operating in rural and regional Australia have indicated that current wage rates are a disincentive for young people to move away from home to take up a New Apprenticeship. These opportunities are not confined to the city but also in the townships of rural and regional Australia.

LAFHA payments are currently limited to the first year of a New Apprenticeship and are not payable until the 3 month probationary period has been served.

Given the very low rates of pay for apprentices, particularly in the 1st year, it is increasingly difficult to attract applicants to a range of vacancies, wherever they might be located, when LAFHA is not payable after the 1st year.

Young people do their calculations and figure that it is simply not worth their while to embark on employment based training when wage rates are so low and the cost of living so high. This is particularly so in rural and regional Australia where a car is an essential mode of transport and increasingly costly to run.

Proposal

GTA believes that eligibility for LAFHA should be extended into at least the 2nd and 3rd years of an apprenticeship.

Payments could be reduced after 1st year as the apprentice's pay increases in each of the subsequent years.

7. Extension of DAWS to include traineeships: eligibility for the Disabled Apprentice Wages Subsidy (DAWS) to be extended to include trainees.

Background

Group Training Companies provide employment opportunities for a significant number of people from equity groups.

Recent figures available from NCVET indicate that at March 2001, almost a quarter of all disabled New Apprentices were employed through group training arrangements, an outstanding outcome, given that group training has a lesser, albeit significant 14% share of total apprentices and trainees Australia wide.

For some time now, the group training network has expressed concern about the fact that DAWS is restricted to apprentices and that trainees, who now represent a significant cohort in the VET sector, and in group training, are ineligible for the payment. This is a curious anomaly, quite discriminatory, and should be rectified by government as soon as possible.

This view was conveyed to the consultants who were reviewing the DAWS program over 12 months ago but GTA is not aware of the outcomes of their review. There does not appear to have been any action taken since the report was submitted to government.

The other aspect of the payment of this subsidy that GTA believes warrants government attention is the inordinate delay in approving applications for DAWS funding. GTA knows of one company that waited 20 months before payments were approved. This required the GTC to carry the cost of the wage subsidy that had been offered to the host employer while awaiting approval and payment by the New Apprenticeship Centre.

Proposal

GTA seeks the extension of DAWS funding to all New Apprentices and an expediting of the payment process.

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