

**Submission to Mr Tony Abbott**

**Minister for Employment Services**

**The Impact of Job Network Funding Arrangements**

**On Group Training**

**Group Training Australia Ltd**

**November 2000**

## Introduction

Group Training Australia (GTA) Ltd is the national association for a network of over 120 not-for-profit Group Training Companies (GTC) located in over 200 locations across Australia.

Group Training Companies employ apprentices and trainees (New Apprentices) and place them with host businesses for varying periods of time until the apprentice or trainee has completed their contract of training and obtained their qualification under the Australian Qualifications Framework.

There are currently approximately 33,000 New Apprentices employed by our network, which represents between 14-15% of the national total. Moreover, the network has some 30-40,000 host businesses, over 50% of which are micro businesses employing fewer than 5 employees. Many of these micro businesses would not be engaged in employment based training were it not for the services provided by a GTC.

In addition to their core function of employing New Apprentices and managing their placements with host businesses, many GTCs are also involved in a range of other functions which complement the core function. These additional functions include:

- the provision of training and assessment services as Registered Training Organisations (RTOs)
- the management of New Apprenticeship Centres (NACs) or the provision of other employment placement services under contract from the Commonwealth
- the provision of other employment and training services under contract from State and Territory governments
- labour hire for qualified tradespeople

These activities have contributed substantially to Group Training activity and, in many cases, have been the basis of their survival.

## The Core Business and “Value Add” of Group Training

The core function of a GTC is resource intensive. GTCs undertake a range of activities as part of the service that is provided to host businesses. These services go well beyond the initial recruitment of a suitable candidate to fill a host employer’s vacancy and include:

- management of the training function which involves:
  - liaising with Registered Training Organisations (RTO)
  - assessing training and monitoring training plans; and
  - training host employers
- rotation of New Apprentices between host businesses either when:
  - it is necessary to ensure that the New Apprentice gains exposure to a wider range of on-the-job skills than is available in a particular workplace; or
  - when the host employer can no longer afford the placement or no longer needs labour

- the provision of mentoring and pastoral care to both the host employer and the New Apprentice which can involve:
  - dealing with attendance issues
  - performance on the job; and
  - personal problems including suicide and homelessness

### **Improved quality of New Apprenticeship outcomes**

Anecdotal evidence suggests that New Apprentices trained under the auspices of a Group Training Company are of a higher calibre than those trained through a direct employment relationship with an employer. This superiority is attributed to the additional support that is provided by the GTC during the period of the contract of training.

### **Lower attrition rates**

Attrition rates are an indicator of the superior performance. Several GTCs in the network participate in a benchmarking cluster to benchmark a range of business practices.

Data collected by this group on attrition of apprentices and trainees within their respective companies, which is arguably representative of the wider network, suggests that non-completions are much lower in Group Training than in direct employment. The data available to GTA shows non-completions to be as low as 20-25% in Group Training. This compares with recent government reports that show non-completions in Traineeships alone running at around 50% overall.

### **Generating employment in Small Business**

Group Training Companies provide an important “intermediary” for small businesses who otherwise may consider the cost and risk of employing a new employee to be prohibitive.

Many small businesses are acutely conscious of the impact of small periodic swings in the business cycle on their bottom line. In addition to this, they frequently cite the current unfair dismissal laws as presenting a substantial barrier to their recruitment of new staff.

Unlike any other form of Commonwealth or State funded labour market agency, GTCs ameliorate these concerns by taking on the employment arrangement themselves, thus removing the direct employment risks faced by small businesses. In addition, the pastoral care, training management and Human Resources support GTCs provide to New Apprentices assists small business employers to continue to focus on their own core business whilst the new employee is becoming more productive and independent in the workplace.

In this way, GTCs provide an important form of assistance and service for small businesses seeking to grow and expand their staff, but concerned about the risks normally associated with doing so.

### **Assisting the Commonwealth to meet National Training Reform objectives**

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 both an employer and trainer of a significant proportion of Australia's apprentices and trainees, the network is playing an important role in translating the Federal Government's growth targets for entry-level training into reality.

The Federal Government launched its New Apprenticeships initiative in August 1997, with the aim of making apprenticeships and traineeships more accessible and relevant to young people and employers, particularly small and medium sized employers. Group Training Companies have been identified by the Government as vital to the success of the New Apprenticeships initiative and the expansion of employment based training.

They play a key role in all these reforms by:

- identifying and alleviating skill shortages, especially in regional areas;
- implementing Training Packages and making their flexibilities a reality for employers;
- managing and co-ordinating structured workplace learning (SWL) programs in schools and enabling students in years 11-12 to undertake school based New Apprenticeships; and
- providing opportunities for disadvantaged people who otherwise may not gain employment in the general labour market

Achievement of this growth potential requires strong and sustained government support for the Group Training network.

### **Working with Job Network Providers**

One form of support that is vital to the recruitment function of GTCs is the job matching services provided by the Job Network. This is the function that was once provided to GTCs by the former CES, at no charge.

Under the current rules, members of the Job Network are not eligible to receive a contracted job matching fee if they fill a vacancy belonging to a Group Training Company, unless it can be demonstrated that the GTC vacancy is not funded from any other source.

Indeed, members of the Job Network are not even given statistical credit towards achievement of their business levels if they do happen to fill a GTC vacancy.

These decisions act as a strong disincentive to the Job Network to assist GTCs to fill job vacancies and are impeding the ability of GTCs to fill host employer vacancies with quality candidates in a timely fashion.

The official reason given for the decision not to pay the job matching fee is that to do so would constitute a form of double funding, which is based on the belief, quite mistaken in our view, that these funds, irrespective of their source, are provided for the same purpose.

The GTC vacancy does not attract the Job Network job matching fee if the vacancy is funded from any of the following sources. This list may not be exhaustive.

- Joint Policy funds
- The \$1,000 special incentive paid to GTCs for placing trainees

- The Group Training New Apprentice Targeted Initiatives Program

### **Joint Policy Funds**

These funds have been paid to GTCs by government since the early 1980s, in recognition of the contribution made by Group Training to the provision of employment and training opportunities for young people and to the maintenance of the national skills base.

These funds, which are administered by State Training Authorities and range on average between \$350-\$450 per capita, are a contribution towards the cost of providing the wide range of support services outlined above, of which the recruitment of the New Apprentice is but one element.

The average Job Network provider will qualify for payment of roughly the same amount of money for doing no more than place a job seeker in a job that lasts for 1 week with a minimum of 15 hours work.

Group Training Companies do not see that there is anything comparable between the two service providers and can see no instance of double funding.

### **\$1,000 Special Incentive Paid to GTCs for each Trainee Employed**

Since 1994-95, GTCs have received a special incentive of \$1,000, in addition to the standard employer incentive, for each trainee they employ. This payment was introduced as a means of stimulating employer uptake of trainees through the intermediary of Group Training, and has been spectacularly successful in achieving this objective.

However, there is a common misconception that GTCs, as the legal employer entitled to the incentives, accumulate these payments without passing any of the benefit on to host employers. This misconception is totally at odds with the business practices of GTCs.

The reality is that Group Training Companies remit their incentive payments to their host employers, usually in the form of a reduced charge-out rate for apprentices and trainees. In other words, the charge-out rate is set at a lower rate than it would otherwise need to be if the incentives were not available for remission.

This fact was confirmed by Dench McClean Associates in their report **Group Training Australia: Growth Strategy 1996-2000** where they state:

*'the bulk of (revenues from core activities) flow through Group Training Companies to host employers.'* (page 71)

The dramatic success of the increase in the number of trainees employed by GTCs results from the fact that GTCs have been able to make trainees an even more attractive proposition to their host employers.

In view of this, it makes no more sense to deny Job Network providers their placement fee for filling a GTC traineeship vacancy on the basis that they receive the \$1,000 special incentive, than it would to charge any other employer for job matching assistance from the Job Network, on the basis that they receive employer incentives which should be used to pay for recruitment services.

## Other Funding Sources

Some GTCs are also funded under other Commonwealth programs that are designed to provide employment and training opportunities for young people. One such program that GTA is aware of is the Group Training Targeted Initiatives Program.

While payments under this program can vary, the average payment is similar to the per capita payment under the Joint Policy. Payment under this program precludes payment for the same vacancy under the Joint Policy.

In other words, the Expansion Program outcome fee is deemed to replace the per capita Joint Policy funds, in which case we would again argue that these fees are not paid so much for recruitment but for the myriad other support services that are provided by a GTC for the duration of the indenture.

## Conclusion

GTA believes that the government should facilitate the closest possible co-operation between GTCs and the Job Network to assist GTCs to fulfil their charter. Such co-operation existed between the former CES and the Group Training network to each other's mutual advantage.

The current rule is an impediment to a seamless transition from school to work for many young people who are not getting referrals to GTC vacancies.

While GTCs are able to lodge open vacancies on the National Vacancy Database (NVD), this has proved to be less than satisfactory.

Some GTCs report that they have been swamped with unsuitable applicants, when using the NVD in this fashion, which has proved resource intensive and inefficient to process. Others lament that potentially good candidates for apprenticeship and traineeships are lost to them through the lack of a referral service from the Job Network.

The impact of this lack of a referral service can be seen from the following figures. These show the number of unfilled vacancies in particular industries currently being experienced by a number of GTCs in the Sydney Metropolitan area. The same would no doubt be true elsewhere in the network.

These positions remain unfilled as a result of difficulties in the recruitment process and as a result of decreasing unemployment. A contributing factor to this is the inability of GTCs to build sustainable relationships with the Job Network.

A simple, and relatively inexpensive, change of government policy on this matter would resolve these difficulties and restore some equity and efficiency in the process.

| Industry                      | Occupation                          |
|-------------------------------|-------------------------------------|
| Building & Construction (150) | Electrical<br>Carpentry and Joinery |

|                               |   |
|-------------------------------|---|
|                               | Plumbing<br>Roof Plumbing<br>Painting & Decorating<br>Bricklaying |
| Automotive (75)               | Motor Mechanic  |
| Hospitality (150)             | Chefs<br>Food and Beverage<br>Front Office                        |
| Health (50)                   | Assistants in   |
| Retail (150)                  | All areas   |
| Clerical/Administration (100) | Administration<br>Call Centre Operations                          |
| Metals (85)                   | Fitting & Machining<br>Boilermaking<br>Welding                    |
| Property Services (125)       | Security<br>Pest Management<br>Contract Cleaning<br>Warehousing   |

In making this submission, GTA has the support of Australian Business Limited which is concerned about the impact that this policy is having on recruitment services available to their members.

**END**