

## **NCVER: Apprenticeships – Sustaining Australia’s skills base**

Melbourne 15 August 2008

Thank you for the invitation to be here today

GTA has long enjoyed an excellent working relationship with NCVER and its principals – Tom Karmel, Mark Cully, Sandra Pattison to name but a few

It is a pleasure then to once again present at another significant policy debate engineered by NCVER

Group training is critical in developing skills for Australian industry

A quick glance at some of the statistics is instructive. For example the group training network now employs:

- 13% of new entrant apprentices and trainees
- One in five traditional apprentices
- One in five indigenous
- One in five school-based
- One in ten apprentices and trainees with a disability; and
- Increasing numbers of adult apprentices in the traditional trades.

As impressive as these figures are, they tell us little about the way in which the network goes about delivering these outcomes.

This is the real story of the group training network.

In more than 30 years of operation this uniquely Australian labour market intermediary has built a physical presence and a storehouse of human capital that would be difficult to match

For example:

There are now over 150 group training organisations operating throughout the country

The network can reach and influence over 100,000 host employers

Many GTOs also provide a range of other services enabling them to extend their reach well beyond their own host employer base

Most GTOs are now critical to the delivery of effective career and transition services in local high schools; and

The field staff of the group training network, in addition to serving the needs of host employers, are effectively mentors to over 40,000 apprentices and trainees

(the 5 – 9 timeslot for many GTOs and field officers is just as important as the 9 -5.)

It is unlikely that any other group in Australia could lay claim to as much experience of contracted training arrangements or as much outreach into small business and the general community based around those arrangements, than that of group training.

I believe then that this unrivalled record equips group training to be a critical player in the development of VET policy.

And how we do that must be through evidence based policy deliberation and more particularly through research.

And this is what I have been invited to briefly talk about today.

Most particularly – our research on apprenticeships and what that research says about what must change.

Over the past few years GTA has commissioned a number of research pieces dealing with issues critical to the state and shape of apprenticeships in this country.

They fall under three general categories, which fundamentally are some of the main planks underpinning our training system:

- Investment
- Quality
- Attraction, commencement & retention

For today's purposes, I will briefly focus on 5 separate works that in their own way, address these critical factors

The first is:

### **Good Start / Great Finish**

This research, based on survey work with employers, registered training organisations and group training organisations in Victoria, looked at the keys to securing maximum completion outcomes for employers and apprentices/trainees and most particularly the value of adopting the group training model of apprentice employment.

Key findings included:

- 1<sup>st</sup>, A good recruitment process is essential to give the apprentice and the employer the best chance of success. Getting the right person into an apprenticeship from the start is the best basis for the completion of an apprenticeship
- 2<sup>nd</sup>, Employers need to be assisted to provide a better explanation of the training system to potential apprentices
- 3<sup>rd</sup>, Continuous and effective monitoring of the apprentice is essential to detecting problems early and acting on them to enhance the likelihood of completion
- 4<sup>th</sup>, A good employment relationship between apprentices and employers was identified as one of the most important elements of apprentice completion. The most significant threat to an apprentice not completing is usually a breakdown in the employment relationship between the employer and the apprentice.
- 5<sup>th</sup>, Employers that are consistently successful at training apprentices by and large have good human resource policies; and
- 6<sup>th</sup>, "Keep them motivated" is the strong message from employers to others considering taking on an apprentice.

Paying homage then to the principle of “Keep it simple stupid” – out of the research came the production of employer Tip Sheets which highlighted 8 basic commandments for employers to follow: Positive recruitment / No surprises / Look after your investment / Give them a chance / look out for warning signals / enlist support / keep them motivated / and continue to communicate

No rocket science here – yet what struck us at GTA was the rapid rate at which the resource sheets were taken up by our member organisations and other stakeholders – a strong signal that good and instructive information for employers and potential employers of apprentices and apprentices as to how to best navigate the system and get good results, is still a high priority

The second work was:

### **Getting it Right: What employers and apprentices have to say about apprenticeships**

This was a joint work done with the Ai Group and the DSF. The basis of the research was a major employer survey on hiring intentions and barriers.

We undertook this survey-based research believing that – in the whirlwind of policy pronouncements, public commentary and sometimes conflicting priorities – it was vital that policy be informed by what was actually motivating employers and those young people choosing a trade apprenticeship.

Only then we argued would we be able to address these issues with a view to the longer-term supply of skilled workers.

Whilst the research concluded that (in 2005/6) a strong surge in apprenticeship uptake had indeed taken place, it pointed to a fundamental tension between the employer’s need to rapidly and effectively respond to an intensely competitive environment and the broader economic need for sustained investment in training.

The report found that, according to employers themselves, some of the dominant factors for taking on an apprentice related to a rising volume of work in the business and difficulties in obtaining or retaining skilled labour.

In effect, many employers “hit the wall” in terms of their capacity to produce as a result of strong and sustained economic growth which increased the demand for tradespersons.

The study also suggested that the chronic shortfall in skilled tradespeople could be traced to structural changes in the economy that have increased the barriers to employer investment in training.

Heading the list was the withdrawal of the public sector as a large employer of apprentices, as well as:

- A Focus on short term financial performance which depressed long term investment in training
- A Reduction in average firm size
- Reduced innovation intensity in the economy; and
- Intensification in competition and difficulty in attracting suitable quality candidates

The report found that the current level of apprentice take up would have to be maintained for at least a decade to compensate for the previous decades’ level of neglect

One of the fascinating “take – outs” from this report, for me, was that despite decades of government and business engagement in training, and the billions of dollars expended, the desire to “train” for many employers was borne more out of “hitting the wall” and “stretched labour capacity” than out of any fundamental and embedded training culture built in to their own business bottom line.

We clearly **still** have a long way to go to build a genuine training culture across the board

The next work I would like to mention here is:

### **Kirby Comes of Age: the birth, difficult adolescence and further prospects of traineeships**

This was another joint project done with DSF.

Its brief was simple – to drill down into the current effectiveness and efficiency of Australia’s traineeship system.

In the current debate swirling around productivity and vocational education and training, it is worthwhile to look at some of the reports’ key findings, which were:

- The bulk of trainees are in now retail, hospitality and administrative jobs
- The growth in traineeships appears to be influenced by the reduced costs to employers through incentive payments, training wages and access to User Choice funds
- about one third of all trainees are existing employees; and
- Substantial work still needs to be done regarding **productivity** dividends from traineeships

Importantly, the report argued that the current labour market is vastly different from the one first in place when the traineeship system was implemented.

Young, pre-year 12 school leavers now account for only one in eight of all newly commencing trainees; and

Traineeships have moved away from a model of general, transferable skills that might be a stepping stone to higher skilled jobs towards today’s model where completion is an end-point

The message from this report was clear – traineeships have to evolve in a more dynamic way than is currently the case. There is an imbalance between the sectors where jobs are growing and where the bulk of traineeships actually are.

If we are to place trade apprenticeships under the microscope – than we must do the same thing with traineeships.

Hard questions need to be asked about the current design and make up of Australia’s traineeship system.

Are we getting value for money? How much training is actually going on? Have they become de facto labour market programs? Should employers get the same amount of incentive payments for taking on a low skill trainee or existing worker as they do when taking on a resource and training-intensive trade apprenticeship?

I believe the posing of such questions should be folded into any serious debate about the future direction of Australia's training system

Late last year GTA also released a major report titled **Living Standards of Apprentices**

We basically wanted to drill down into an issue that is clearly a hot button one for many parents and apprentices – the adequacy of apprentice wages – particularly in the 1st & 2<sup>nd</sup> years.

The report was prepared by the Centre of Applied Research in Social Science at the University of New England and compared the earnings of apprentices across a range of industries with a variety of community benchmarks.

Some of the Reports key findings were:

- A sample of six representative occupations showed that in all cases, awards for minimum pay for first year apprentices were below the Henderson poverty line
- Based on the current Indicative Budget Standards, a modest but adequate living standard was unattainable for first year apprentices unless they receive large allowances as part of their award
- Allowances could substantially augment income in some industries. For example, in the Melbourne construction industry, allowances could boost income by up to 50%. However, these allowances tended to be confined to the construction industry and for the remainder of apprentices, they barely covered outlays on tools and special travel.
- Even when mandatory allowances were taken into account, 40 of the 42 award categories of first year apprentices studied in the report had disposable income below the poverty line

- A comparison with the unemployment benefit (Newstart) showed that when the value of its cash and non-cash components was taken into account, a first year apprentice's standard of living was barely above that of the unemployed
- Second year apprentices were not much better off; and
- Above award payments added little to apprentice earnings – the typical above award payment was 9% and varied significantly by occupation.

The report concluded that significant numbers of apprentices only survive the early years through a mixture of handouts from parents, working overtime wherever possible, working in the cash economy or taking a second job.

And we wonder why we have such high drop-out rates from many of the trades?

Yes, it is not **all** about money but clearly it is a major factor taken into consideration

Something must be done to deal with this issue.

And I am not advocating that employers carry the burden here. There are other ways & means to deal with this.

As an adjunct to the Apprentice Living Standards report, we also commissioned Access Economics to analyse the quantum of tax payer money shelled out by governments to compensate apprentices for poor pay in the initial years.

As of this year, just under half a billion dollars was being paid out by the commonwealth to assist apprentices with their endeavours and to “compensate” them somewhat for low rates of pay (particularly in the early years) – youth allowances, tools for your trade, mid career apprentice payments, trade learning scholarships, TAFE fee assistance to name but a few.

Let me reiterate - we are not talking about **employer** incentives here, just the current crop of **employee/apprentice** incentives

With completion rates continuing to decline – one would have to ask- are we getting maximum value for money? Is there a better use of these

funds? Should consideration be given to collapsing all these payments into a single apprentice wage subsidy?

One factor alone convinced me that we can no longer afford to keep our heads in the sand on issues such as apprentice wages – 40 years ago, the average age of 1st year trade apprentices was 15 and most lived at home.

Now, the average age of two thirds of first year apprentices, is over 18, with many not living at home or having traditional family support structures

We should **at least** have the debate. Not be afraid to identify and even approach some of the elephants in the room

The central message from the varied research that GTA commissioned on aspects of the apprenticeship system is this I believe:

If we are to lock in the gains and build on the advances made over the past few decades to the apprenticeship and training system, then we still need to take giant strides rather than small steps

The **product** itself and the **system** within which it operates, whilst delivering above average to good results, is still very much a work-in-progress and in the eyes of some, showing signs of wear and tear

As is evidenced from the work that GTA has done over the years, there is much work still to be done regarding training investment strategies, public/private partnerships, system design, course flexibility, mature age apprentices and youth engagement.

The current debate over vocational education and training seems to be in danger of being high-jacked by economic rationalists, with the emphasis very much on the ration part

Economic modellers, theorists and treasury officials no doubt have their place, but they would be well advised to pay a bit more attention to what our and other institution's research is saying – reports from the trenches so to speak – from practitioners and users alike

Whatever the shape of the future training market in Australia – training intermediaries like group training have a critical role to play

As the networks influence and footprint grows, so too its research capacity and storehouse of information

The lessons to be learned from both should not be ignored.

Thank you for your interest