

Chapter 4: Apprenticeships and traineeships

INTRODUCTION

4.1 The Committee has a number of serious concerns in relation to apprenticeships and traineeships in Australia. Apprenticeship training in Australia is at a very low level as a proportion of the total labour force¹ and is probably insufficient to meet current and future skill requirements. Traineeships, while growing strongly, appear to have high wastage rates probably because people who complete them do not enjoy an economic advantage over those who do not.²

4.2 Apprentice and trainee wages, and whether they provide employers and young people with appropriate incentives to offer and undertake training, is considered in Chapter 5 along with youth wages issues generally.

APPRENTICESHIPS

Crisis in commencements

4.3 The number of apprentices in training has declined from a high of around 160,000 in 1990 to 121,000 in 1996. In the absence of action to arrest the trend ANTA has predicted a continuing decline to 112,000 in 1998.³ Annual commencements of apprentices peaked at more than 60,000 in 1988-89 and 1989-90 and declined rapidly to just over 40,000 during the recession of the 1990s. Despite recovering to around 50,000 commencements in 1993-94 and 1994-95, commencements slumped again to about 40,000 in 1996.⁴ In December 1994, at 1.4 per cent of the labour force, the proportion of young people undertaking contractual training (traineeships and apprenticeships) was at its lowest point for over 25 years.⁵

4.4 A number of factors are preventing the chronically low level of apprenticeship starts lifting significantly to provide real growth. There have been major structural changes in the economy which have influenced the supply of apprenticeship places. For example, the trend to tendering out work means firms do not train and retain their own tradespeople while the sub-contractors squeeze out training costs in pursuit of the most competitive quote. In addition, government instrumentalities, such as the railways and the utilities, no longer train apprentices in excess of their needs who are released to industry upon completion. A decline in the quality of the supply of candidates for apprenticeships also appears to be a factor influencing the decline in commencements.

1 ANTA, *Submission No. 87*, p. 6.

2 see Sweet R, *Training Young People. Do Wages Matter?*, *Conference on Formalised Training Towards 2001*, Adelaide, November 1995, p. 17.

3 ANTA, *Submission No. 87*, p. 2, *Transcript of Evidence*, p. 392.

4 ANTA, *Submission No. 87*, p. 5.

5 Sweet R, *The Naked Emperor: Training Reform, Initial Vocational Preparation and Youth Wages*, *The Australian Economic Review*, 2nd Quarter 1995, p.103.

4.5 Many employers do not feel confident making a four year commitment to an apprentice.

One person out of a [TAFE pre-apprenticeship] class of 30 ended up with an apprenticeship because the people that were going to apprentice them pulled out right before they got their apprenticeships. A lot of the time [employers] are the ones not making the commitment.⁶
[Mr Kevin Nugent, Student, Morayfield State High School, Caboolture, Qld]

This is despite the availability of apprenticeships through group training companies.

Status of trades

4.6 The Committee believes that there has been a marked decline in the relative status of trades in both the eyes of young people and the community generally.

I think that the kids who come to you looking for an apprenticeship feel already, before they get into the system, that this is the second rung of a social ladder.⁷
[Mr Ian Brien, Vice Chairperson, Mt Isa Group Apprenticeship, Traineeship and Employment]

This is a view that the committee heard many times over during the inquiry. It is evidenced in the lack of awareness by young people of trade occupations, the pay and conditions and the difficulty that many employers have in recruiting suitable young people into trades.

4.7 Insufficient numbers of appropriately prepared young people apply for apprenticeships and, as a result, some firms are failing to fill their apprenticeship intakes for want of sufficient high quality candidates.⁸ The Australian Defence Force is also having difficulty getting sufficient applicants for apprenticeships.⁹ (The Committee notes that this has occurred since the ADF has had to raise its entry level age in accordance with an international convention.)¹⁰

We have certainly been very disappointed with the calibre of applicants in the last two years...we have certainly had to take a step back and look at why we are not getting the people that we need at the level that we need them at. We are finding that people are applying who will not get through the schooling system.¹¹ [Mrs Leonie Lee, Senior

6 *Transcript of Evidence*, p. 470.

7 *ibid*, p. 966.

8 No-one Wants the Dirty Work, *The Australian Financial Review*, 14 February 1997, p. 28 and Metal Trades Industry Association of Australia, *Submission No. 124*, p. 15.

9 Brigadier O'Brien, Director General, Defence Force Recruiting, *Transcript of Evidence*, p. 327.

10 *ibid*, p. 338.

11 *Transcript of Evidence*, p. 1626.

4.8 Research supports the anecdotal evidence pointing to a decline in the quality of young people applying for apprenticeships.

*In 1993, for example, only 23 per cent of 20 year old tradespersons had completed 12 years of schooling, compared to 66 per cent of those of the same age working as full-time sales assistants. Forty-five per cent of tradespersons of that age had at best completed 10 years of schooling, twice the proportion of the age cohort as a whole.*¹² [Professor R Sweet]

4.9 The irony is that employers are deliberately seeking older apprentices who have completed Year 12 to meet the needs of the modern workplace¹³ while trades are seen as second best and the quality of applicants has declined. Skilled tradespersons earn healthy incomes while young people overlook the opportunities.

*Last year, the best of our senior, first-class welders earned in the vicinity of \$55,000 for the year. You see kids who have left school at 16 years of age and have done a trade for four years and are earning \$35,000 to \$40,000 a year. Really good welders can earn that sort of money. You see kids doing the HSC and working their backsides off learning accountancy or something like that and, after finishing four years at university, they are not earning anywhere near the amount of money that a good tradesman is.*¹⁴ [Mr Michael Byrne, Managing Director, Byrne Trailers (Australia) Pty Ltd, Wagga Wagga, NSW]

Curiously, while the supply of high quality applicants for apprenticeships is short, the Committee also heard that some university graduates are going into apprenticeships.¹⁵

4.10 The decline in the popularity of apprenticeships is likely to be related to the rise in high school completion rates. Many students who would once have left at Year 10 to pursue a trade now seek university places,¹⁶ perhaps because their aspirations are changed by the academic focus of the senior high school curriculum.¹⁷ The Committee believes that this is a consequence of the failure to promote trades and other skilled occupations to young people and to provide school based pathways to skilled employment.

12 The Naked Emperor: Training Reform, Initial Vocational Preparation and Youth Wages, *The Australian Economic Review*, 2nd Quarter 1995, p.105.

13 *Transcript of Evidence*, p. 401.

14 *ibid*, p. 1325.

15 *ibid*, p. 403.

16 Our Disappearing Apprentices, *The Australian*, 20 May 1997, p. 17.

17 Mr Peter Noonan, General Manager, Australian National Training Authority, *Transcript of Evidence*, pp. 401.

*I do not think we hear enough about apprenticeships being offered while we are at school. They might be in the paper and that occasionally, but I think our careers adviser teacher should be told about them. We are not told enough about it like we are about unis and all that sort of stuff.*¹⁸ [Mr Ryan O'Dougherty, Student, Catholic Regional College, Traralgon, Vic]

4.11 Some regional employers reported that they did not experience difficulty in attracting high quality candidates to undertake apprenticeships.¹⁹ However, against a background of serious skill shortages in the trades they were training, they reported that their investment in training was being undermined by other firms which did not train but met their needs for skilled staff by poaching skilled staff from the firms that do.

*We train young people, but we find that the smaller businesses in the town, and in other country towns, come and poach the people that we have spent thousands of dollars training.*²⁰ [Mr Peter Bartter, Joint Managing Director, Bartter Enterprises]

4.12 The problem is relatively recent and is apparently linked to the reduction in apprenticeship training by government instrumentalities.

*Five or six years ago, none of our apprentices left, because, in those days, we had the State Rail Authority...There was a big pool of apprentices that were trained by the government, so when somebody wanted an apprentice they would poach them from the government departments.*²¹ [Mr Peter Bartter, Joint Managing Director, Bartter Enterprises]

4.13 Aside from wages, there are essentially two sides to the problem of low apprenticeship commencements. Employers must be helped to see the real advantages to their businesses arising from the employment and training of apprentices and young people must be made more aware of apprenticeships, their attractions and the career pathways they open up. The Committee believes that the effective promotion of trades must be undertaken as an essential element of the Government's New Apprenticeships initiative.

18 *Transcript of Evidence*, p. 1168.

19 Mr Peter Bartter, Joint Managing Director, Bartter Enterprises, *Transcript of Evidence*, p. 1312, and Mr Mick Byrne, Managing Director, Byrne Trailers (Australia) Pty Ltd, *Transcript of Evidence* p. 1332.

20 *Transcript of Evidence*, p. 1310.

21 *ibid*, p. 1313.

TRAINEESHIPS

4.14 Traineeships are a more flexible form of structured vocational training than apprenticeships but they are at a lower qualification level (AQF 1 and 2) compared to apprenticeships (AQF 3). Growth of traineeships has been rapid from 11,000 enrolments in 1992 to 30,500 enrolments in 1996. Growth is forecast to rise to 46,500 by 1998.²² Traineeships in manufacturing grew from 450 in 1994 to 3,400 by 1996.²³

4.15 The flexibility of traineeships allows businesses and industries to tailor training packages to individual needs and circumstances. For example, the success of small business traineeships has been attributed to the relevance, flexibility and door to door marketing of the traineeships.²⁴ The other factor in the success of small business traineeships is that they allow most of the training to be undertaken on-the-job which fits well with the culture and daily requirements of small businesses.

4.16 At the other end of the scale industries can structure training packages based on traineeships at the introductory level (AQF 1 and 2) which lead into trade training or equivalent (AQF 3) and provide for progression to degree or diploma level (AQF 4 and 5). The National Food Industry Training Council is developing such a system to create a career structure for the processed food industry's workforce. Implementation of the training structure to trade equivalent level is substantially complete and the council has commenced work on extending the training structure into higher education (AQF 4 and 5) providing a career path through the industry.²⁵

4.17 Despite the rapid growth in traineeships they are not widely understood by small business employers. In particular, small business employers may not fully understand their training responsibilities under a traineeship or the relationship between the on and off-the-job training components.

*They cannot see the fact that they are paying a training wage as compensation for the trainee not being there because they then have to work out rosters for other staff, et cetera. So the on-the-job training traineeships have definitely been more popular.*²⁶ [Ms Felicity Thomson, Queensland Retail Traders and Shopkeepers Association]

4.18 The fact that traineeships are not widely understood by small business suggests to the committee that effectively promoting traineeships to employers has unrealised potential to create further employment.

22 ANTA, *Submission No. 87*, p. 2.

23 Metal Trades Industry Association of Australia, *Submission No. 124*, p. 18.

24 *Transcript of Evidence*, p. 398.

25 National Food Industry Training Council, *Submission No. 87*, p. 5.

26 *Transcript of Evidence*, p. 414.

Subsidies to employers

4.19 The Committee encountered a lot of criticism of the Government's decision to cut employer subsidies for apprentices and trainees, including the decision, which was subsequently revoked, to entirely remove the financial incentives for large employers. The Committee endorses the Government's decision to restore employer subsidies for apprentices and trainees to large employers from January 1998.

4.20 Government subsidies for trainees and apprentices are discussed with the broader issue of youth wages in Chapter 5.

Administration

4.21 The paperwork required to establish trainees and apprenticeship arrangements is a barrier to some potential employers. The idea to establish the 'one stop apprenticeship shop,' where employers and potential trainees and apprentices can get information and complete all the formalities with assistance, is as obvious as it is overdue.

4.22 The ACT Vocational Education and Training Authority already operates a one stop 'Trainee and Apprenticentre' and the Training Agreement is a single composite document incorporating an application form for Commonwealth subsidies to the employer. In Victoria, DEETYA and the Moorabin, Oakleigh, Springvale Employment Development Group (MOSEDG) have developed *Webtrain*,²⁷ an interactive communication system on the Internet which can list apprenticeship and traineeship vacancies as well as provide information to employers. *Webtrain* could also be adapted to match workplaces to students in vocational education programs.²⁸ The Committee applauds these examples of innovation and encourages their adoption by other jurisdictions.

NEW APPRENTICESHIPS (MAATS)

4.23 The New Apprenticeship System, originally styled the Modern Australian Apprenticeship and Traineeship System (MAATS), is a central feature of the Federal Government's Employment and Training Policy. It was officially launched on 20 August 1997.²⁹ The New Apprenticeship System is a comprehensive attempt to modernise and expand the Australian vocational training system by 'making training, especially at the entry level, a more attractive business proposition for a much wider range of enterprises'.³⁰

27 *Webtrain* can be accessed on the Internet at <http://www.jobsearch.gov.au/>.

28 Victorian Government, *Submission No. 119*, p. 21.

29 Minister for Schools, Vocational Education and Training, Press Release, *New Apprenticeships — Working for Australia*, 20 August 1997. Information on New Apprenticeships can be found on the Internet at <http://www.deetya.gov.au/newapprenticeships>.

30 ANTA, *The Report of the Industry Reference Group on the Implementation of the Modern Australian Apprenticeship and Traineeship System*, September 1996, p. 1.

4.24 There are six underlying principles to New Apprenticeships which were agreed by the ANTA Ministerial Council in May 1996.

- (i) The system will be industry led to make the system more relevant and responsive to employers.
- (ii) Streamlined regulation will make the system easier for employers and individuals to use.
- (iii) There will be expanded opportunities to undertake apprenticeships and traineeships, particularly in industries which are experiencing growth, experiencing skill shortages or where the training effort is poor.
- (iv) Regional and community involvement will aim to meet the needs of local enterprises and develop links between schools, training and employment.
- (v) The National Training Framework, which includes national competency standards and qualifications, will apply to the new system.
- (vi) Barriers to access and other equity issues will be addressed in the new system.

4.25 In accordance with the first principle, that the new system be industry led, the ANTA Ministerial Council established an Industry Reference Group to advise on the implementation of New Apprenticeships. The Reference Group made 23 proposals for reform of Australia's entry level training system in its report to Ministers in September 1996. With one exception,³¹ all Ministers agreed to all 23 proposals.

4.26 The Committee commends the policy aims and the six principles of the New Apprenticeships system and is optimistic that its successful implementation will address many of the existing problems in the apprenticeship and traineeship system. The Committee considers that the rapid and almost universal agreement to the Reference Group's 23 proposals is a tribute to the quality and relevance of the Group's work.

The Reference Group's 23 Proposals for Reform

4.27 The Committee commends the Reference Group's 23 proposals for reform which are listed at Appendix VI. In particular the Committee would like to emphasise its support for the Reference Groups proposals in relation to : marketing apprenticeships and traineeships; resources to underpin growth in employment through Group Training Companies; VET and traineeships and apprenticeships in schools; and labour market programs.

31 NSW has not agreed to abolish Declaration of Vocations.

Marketing apprenticeships and traineeships

4.28 The decline in the status and popularity of apprenticeships among young people and the decline in the number of apprentices in training has been described above. In these circumstances it is the Committee's view that the importance of properly promoting New Apprenticeships cannot be overstated.

4.29 The Committee supports Proposal 2³² of the Reference Group as a complement to its own recommendations on vocational training and careers guidance in Chapter 3. The range, available opportunities and potential career outcomes of New Apprenticeships must be comprehensively promoted to parents, teachers and young people from late primary school onwards. Young people should be encouraged to view the acquisition and practice of trade and other vocational skills as a viable and desirable 'first' career option.

Resources to underpin growth in employment through Group Training Companies

4.30 In its report the Reference Group acknowledged the special role of Group Training Companies in enabling small and medium sized businesses to offer training opportunities to young people and, in some cases, providing employment brokerage services to employers.³³ The Reference Group also acknowledged that the successful take up of New Apprenticeships is dependent on the skills of small business owners and managers and that, as an adjunct to New Apprenticeships, the VET sector has a role in management and skills training in small business.³⁴

4.31 In the Committee's 1995 report, *A Best Kept Secret*, it examined the unique and special role of Group Training Companies in the Australian VET system. The diversity and independence of group training companies and their responsiveness to their business clients, industries and regions were seen as the companies' particular strengths. The Committee still sees group training companies as an essential component of the VET sector.

4.32 The shift in the structure of the labour market as more firms sub-contract work was mentioned by the Reference Group in relation to a concern that some employers may be employing group training companies' apprentices or trainees when they have the capacity to employ them in their own right. The Committee suspects that this substitution of group training employees is occurring and that the current monitoring of group training companies to prevent this may not be very effective.

4.33 The Committee considers that, to whatever extent employers are substituting group training employees for directly employed trainees and apprentices, it merely demonstrates that group training companies represent a simpler way for small

32 ANTA, *The Report of the Industry Reference Group on the Implementation of the Modern Australian Apprenticeship and Traineeship System*, September 1996, p. 6.

33 *ibid.* Proposals 4 and 5, p. 8.

34 *ibid.* p. 31.

businesses to employ. The alternative course of action for many employers may be not to employ trainees and apprentices at all. Given the dual imperatives of increasing youth employment and boosting the national training effort the Committee's view is that it would not be desirable to rigorously discourage firms who could employ in their own right from using the services of group training companies.

4.34 The perceived risk and the lack of recruitment and employee management skills are significant barriers to increased levels of employment in the small and medium business sector which the *Workplace Relations Act 1996* can only partially address. Against this background, the Committee believes that there is merit in the Reference Group's suggestion that Group Training Companies be encouraged to act as employment brokers.

4.35 Group Training Companies, by initially bearing the employer responsibilities, are uniquely placed to help remove some of the employment related risks for small and medium sized businesses. Group Training Companies are more experienced than many business proprietors in the selection, induction and counselling of employees and could help in this role — selecting, preparing and placing candidates in pre-arranged training positions with contracting employers. Group Training Companies could also arrange training to develop the knowledge and skills for first time or inexperienced employers.

4.36 Recommendation 4.1

The Committee recommends that the Commonwealth Minister for Schools, Vocational Education and Training encourage Group Training Companies, through their performance agreements, to operate Employment Placement Enterprises to provide employment brokerage services to small and medium sized businesses which:

- **facilitate the placement of young people into jobs linked to formal training; and**
- **encourage small business employers to develop their personnel management skills.**

VET and Traineeships and Apprenticeships in schools

4.37 The Committee agrees with the Reference Group that senior students undertaking VET in schools need to do so as part of a broad general education program that combines a senior secondary certificate with nationally recognised vocational education and training.³⁵ The Committee would also add that it endorses initiatives to extend vocational education into Years 9 and 10 provided that such programs do not preclude the participants from undertaking TER or dual recognition courses later.

4.38 In its 1995 report, *A Best Kept Secret*, the Committee envisaged an important role for group training companies in establishing school to work links in the

35 *ibid.* Proposals 7-9, pp. 10-12.

emerging Australian Vocational Training System (AVTS). A discussion of the Committee's views and recommendations on VET and workplace learning are in Chapter 3 of this report.

Labour market programs

4.39 The Reference Group proposed that labour market assistance containing training elements should articulate into recognised VET activity by utilising the National Training Framework to link labour market training to endorsed national competency standards.³⁶ The Committee agrees that training components of labour market assistance should either prepare participants for, or be a component of, a recognised vocational course. Labour market programs are discussed briefly in Chapter 2 of this report.

STATE AND FEDERAL GOVERNMENT POLICIES

4.40 Governments at both the Federal and State and Territory levels have substantially reduced their direct commitments to vocational training as public transport, water, sewage, electrical and telecommunications utilities have contracted out services and the agencies themselves have been corporatised or privatised. The Committee strongly believes that governments must, along with industry, accept their share of the expense and responsibility of training young people.

4.41 There is no manageable way to oversee and enforce a requirement that contractors working on government work employ a given ratio of apprentices and trainees to qualified workers. Consequently, it is the Committee's view that government should view the payment of subsidies to business as part of its contribution to training young people and developing skills.

4.42 The Committee has estimated that apprentices and trainees comprise 0.6 per cent of local, state and federal government employees compared to 2.6 per cent of private sector employees.³⁷ While comparative figures between now and ten or fifteen years ago are not readily available, there is little doubt that the commitment to training by governments has declined significantly.

*[Western Power] used to employ over 250 apprentices a year in Western Australia. Next year they will employ 52 apprentices.*³⁸ [Mr Antonio Palladino, Chief Executive Officer, ElectroSkills Australia.]

*In NSW...State Rail used to employ 660 [first year] apprentices each year. They now employ 40.*³⁹ [Mr Norman Cahill, Former Chief Executive Officer, ElectroSkills Australia.]

36 *ibid.* Proposal 10, p. 12.

37 Derived from ANTA Apprenticeships Statistics 1996, *Exhibit No. 123*, and ABS 6325, August 1996.

38 *Transcript of Evidence*, p. 78.

39 *ibid.*, p. 79.

4.43 The Committee believes governments should employ the same proportion of trainees and apprentices in their workforces as the private sector does. It is clear that governments at all levels are abrogating their responsibilities to train youth.

4.44 Recommendation 4.2

The Committee recommends that governments at all levels increase their level of employment of young trainees and apprentices within five years to at least the level of the private sector and the data be reported annually to Parliament.

4.45 Recommendation 4.3

The Committee recommends that the Australian National Training Authority (ANTA) be required to publish annually statistics on the proportion of trainees and apprentices employed nationally by industry sector.

