

Strategic Review of the Australian Apprenticeships Incentive System: Background Paper

8 July 2024

Introduction

The Australian Chamber of Commerce and Industry (ACCI) appreciates the opportunity to comment on the Background Paper for the Strategic Review of the Australian Apprenticeships Incentive System (the background paper).

ACCI is Australia's largest and most representative business network, representing hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people. ACCI strives to make Australia the best place in the world to do business so that Australians have the jobs, living standards and opportunities to which they aspire.

The background paper presents valuable insights. However, we believe more nuanced analysis is required to ensure the continued effectiveness and fairness of apprenticeship incentives across all industries. This submission highlights these concerns in greater detail.

Financial Incentives for Employers

Our most significant concern relates to the discussion of financial incentives for employers. We were concerned to find that the background paper solely referenced the Productivity Commission's 2020 report from the Review of the National Agreement for Skills and Workforce Development when discussing the importance of employer incentives. Not only is this a single source, but it is also drawing on a pre-COVID skills environment. ACCI, along with many of our members, demonstrated in submissions to the Strategic Review of Apprenticeship Incentives (the Strategic Review) that incentives are critical for employers, helping them offset the costs of commencing an apprentice. A range of empirical studies and statistical analyses support this contention – for example:

- The most recent data release from NCVER showed that since the Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) employer incentive programs closed to new entrants in June 2022, over half of the progress made in boosting apprenticeship numbers

- between 2020 and 2022 has reversed.¹ While ACCI notes that BAC and CAC were always intended to be time-bound COVID initiatives, their effectiveness in encouraging employers to commence new apprentices is nonetheless undeniable.
- ACCI also used NCVER data in our original submission to the Strategic Review to show the negative impacts on commencements every time an employer incentive program was discontinued in Australia between 2006 to 2023.²
 - NCVER research from 2020 showed that when employer incentive programs are integrated and well-structured, there are positive outcomes for both commencements and completions.³

A range of international data support these Australian findings:

- Research from the U.S. showed that incentives provided to employers resulted in higher apprentice completions.⁴
- U.S. research specific to the tech industry, where employers are also experiencing shortages and struggle to find talent, demonstrates that “incentive funding is important to offset an employers’ upfront investments and secure their engagement, particularly when employers are paid after taking on apprentices”.⁵
- A study from Wales showed that employer incentive schemes are particularly valuable for attracting employers who are new to offering apprenticeships.⁶

The above examples are the results of a brief scan of the academic literature; we strongly recommend a more comprehensive review of available research to help inform the panel’s decisions around financial incentives for employers. This is one of the most critical considerations of the Strategic Review, and we look forward to seeing much greater detail and analysis in the final report.

¹ National Centre for Vocational Education Research. (2024). *Apprentices and trainees 2023: December quarter*. <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/apprentices-and-trainees-2023-december-quarter>

² Australian Chamber of Commerce and Industry. (2024). *Strategic Review of Apprenticeship Incentives: ACCI Submission*. <https://www.australianchamber.com.au/wp-content/uploads/2024/04/Strategic-Review-of-Apprenticeship-Incentives.pdf>. Citing NCVER, (2023) *Historical time series of apprenticeships and traineeships in Australia from 1963 to 2023*. <https://www.ncver.edu.au/research-and-statistics/data/all-data/historical-time-series-of-apprenticeships-and-traineeships-in-australia-from-1963-to-2023>

³ Misko, J. (2020). *Traditional trade apprenticeships: Training activity, employer incentives, and international practice*. National Centre for Vocational Education Research (NCVER). <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/traditional-trade-apprenticeships-training-activity-employer-incentives-and-international-practice>

⁴ U.S. Department of Labor, (2022), *Do employers earn positive returns to investments in apprenticeship? Evidence from Registered Programs under the American Apprenticeship Initiative*. W.E Upjohn Institute for Employment Research, Washington. <https://eric.ed.gov/?id=ED638474> (p. 20).

⁵ Elliott, D., Marotta, J., Hernandez, F., & Rayfield, J. (2022). *What Works in Tech Apprenticeship*. Urban Institute. <https://www.luminafoundation.org/wp-content/uploads/2022/07/what-works-in-tech-apprenticeships.pdf>

⁶ Winterbotham, M., Salamons, D. and Castell, E.; (2020). *Research Study: Apprenticeship Employer Incentive Scheme*. Cardiff: Welsh Government, GSR report number 48/2020. <https://gov.wales/apprenticeship-employer-incentive-schemeresearch-study>

Inherent Value of the Apprenticeship Model

ACCI believe the apprenticeship model's inherent value, especially its work-integrated learning (WIL) component, deserved more emphasis in the background paper. The learn-while-you-earn model is deeply valuable for skills formation and significantly contributes to the benefits that taxpayers derive from investing in apprenticeships. A more detailed discussion of this value will help highlight the importance of supporting all apprenticeships and traineeships, not only those on the Australian Apprenticeship Priority List (AAPL).

Distinction Between Traineeships and Trade Apprenticeships

The paper should more appropriately differentiate between traineeships and trade apprenticeships, as they have vastly different experiences, and the impacts of incentives on these different models are also quite varied. While some distinctions are made, particularly related to completion rates, the background paper does not adequately address the differences between licensed and non-licensed trades.

School to Work Transition

The apprenticeship model plays a vital role in facilitating school-to-work transitions. Employers have businesses to run, so to take on a new apprentice with little to no experience is a risk, even if that risk has a range of potential benefits attached. Emphasising how the WIL model supports employers to hire inexperienced workers could further illustrate its importance in promoting youth and mature-aged apprentice employment.

Issues with Wages

The background paper provides a comparison between the wages of an apprentice and the potentially higher wages of an unskilled worker. Although this may be a consideration for apprentices, the paper could also consider a comparison between an apprentice and a higher education student in relation to financial cost over the course of training. Unlike higher education students, who often incur significant HECS-HELP debts, VET apprentices receive wages during their training. So, while young people may compare the favourable remuneration of some unskilled workers to the lower wages of some apprentices, the capacity to earn while learning and not acquire study-related debt has also been found to be a consideration for many young people.

Post-Secondary Qualifications and Industry Connections

Highlighting the value of apprenticeships in delivering post-secondary qualifications and maintaining connections between employers and the training system would strengthen the background paper and subsequent report. This is particularly relevant for industries not on the AAPL, such as retail and hospitality, which employ a significant portion of the workforce. Encouraging nationally recognised training in these industries is essential for meeting the government's post-secondary qualification targets.

Incentives for existing employees

The background paper was dismissive of the value delivered by incentives for converting existing employees to apprentices as was the case with the Employer Incentives for Existing Workers program up until 2012. Converting existing employees to apprenticeship

or traineeship contracts merely to attract incentives is clearly not an ideal model in most cases (and can lead to provider-driven behaviour). However, the paper should more adequately recognise that there is significant value in lifelong learning, including upskilling or reskilling existing employees, as has been highlighted by the Employment White Paper. For example, traineeships and apprenticeships are a valuable earn-while-you-learn pathway for people in the Early Childhood Education and Care sector to move from childcare assistant to lead educator to childcare centre manager, curriculum developer or special needs educator. Given the skills shortages in areas like Early Childhood Education and Care, the evidence for incentivising these pathways should be more thoroughly explored. In the absence of any re-introduction of a co-contribution workforce development fund (which would be a more appropriate response for upskilling), traineeships can deliver these opportunities.

Apprenticeship Incentives Across the Tertiary Education System

The Apprenticeship Incentive System has the potential to enhance tertiary harmonisation and coherence; however, this is not identified in the background paper. As Australia's workforce needs evolve, higher education providers are increasingly embracing apprenticeships and work-based learning as a component of their course offerings, sometimes working with VET providers to offer dual qualifications, and at other times working independently. The Employment White Paper and Universities Accord Final Report highlight the necessity of these initiatives for future workforce readiness. An inclusive incentive system will be required to support these pathways, ensuring responsiveness to the diverse needs of apprentices, employers, and providers. An important part of this responsiveness is to ensure apprentices in both higher education and VET are eligible for incentives and that new, innovative pathways in the future are system-agnostic. Additional background research, perhaps looking to the success of these diverse types of apprenticeships in other countries, will allow the background paper to address a broader range of workforce needs more effectively.

Summary

The background paper offers valuable insights but requires more thorough analysis to ensure apprenticeship incentives are effective and fair across industries. Relying solely on the Productivity Commission's 2020 report to determine the effectiveness of financial incentives for employers is insufficient. A comprehensive review of existing research is essential to inform the panel's decisions. Emphasising the value of apprenticeships, especially work-integrated learning, is crucial for skills development and has significant benefits for taxpayers and the community. Differentiating between traineeships and trade apprenticeships, and highlighting their roles in school-to-work transitions, wage comparisons, and post-secondary qualifications, will support a range of apprenticeship opportunities. There are also opportunities to be pursued in terms of incentives for converting existing employees into apprentices, and to ensuring all tertiary education providers' offerings have access to the Incentive System.

If you have further questions or require further information, please contact Dr Jodie Trembath, Director of Skills, Employment and Small Business, at Jodie.trembath@acci.com.au.