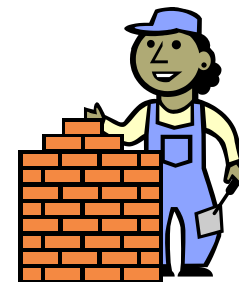




Governance and financing of apprenticeships in Australia

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National Centre for Vocational Education Research



History



Indentures – time for training

By 1900's

State regulation of apprenticeships based on awards
e.g *NSW Industrial Disputes ACT 1908*

Federation

Responsibility remained with states

Post WWII

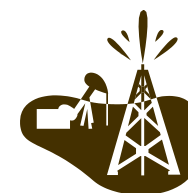
Uniformity of formal off-the-job training

1970's



A national approach to apprenticeships
National Apprenticeships Assistance Scheme

Subsidies 1974



History



1982

National enquiry into labour market programs

1985

Traineeships (non-traditional areas, young people)
more employers able to access incentives

...

Removal of age restrictions, introduction of a national training wage, fully-on-job, more occupations, relaxing off-job training must be at TAFE, Cert III and IV

History



1982

National enquiry into labour market programs

1985

Traineeships (non-traditional areas, young people)
more employers able to access incentives

...

Removal of age restrictions, introduction of a national training wage

1989-1996

National Training Reform Agenda

Competency standards, national training board, national framework recognition for training, ANTA overseeing resource allocation to TAFE

History



1982

National enquiry into labour market programs

1985

Traineeships (non-traditional areas, young people)
more employers able to access incentives

...

Removal of age restrictions, introduction of a national training wage

1987-1996

National Training Reform Agenda

1998

New Apprenticeships (MAATS)

- ▶ apprentices and trainees, schools, beyond TAFE
- ▶ legislative changes, training wage structure
- ▶ new purchasing agreement (*User Choice*)

2007

Australian Apprenticeships

Now

- employment
- legal contract of training to develop skills of individuals
- formalised training plan
- in trade and non-trade occupations
- in exchange for at least a minimum training wage
- subsidised
- no age limit
- employer and individual incentives



Facts

- On 20 May 2013 at 12:58:55 AM, the resident population projected:

23,027,352

2/3 working age

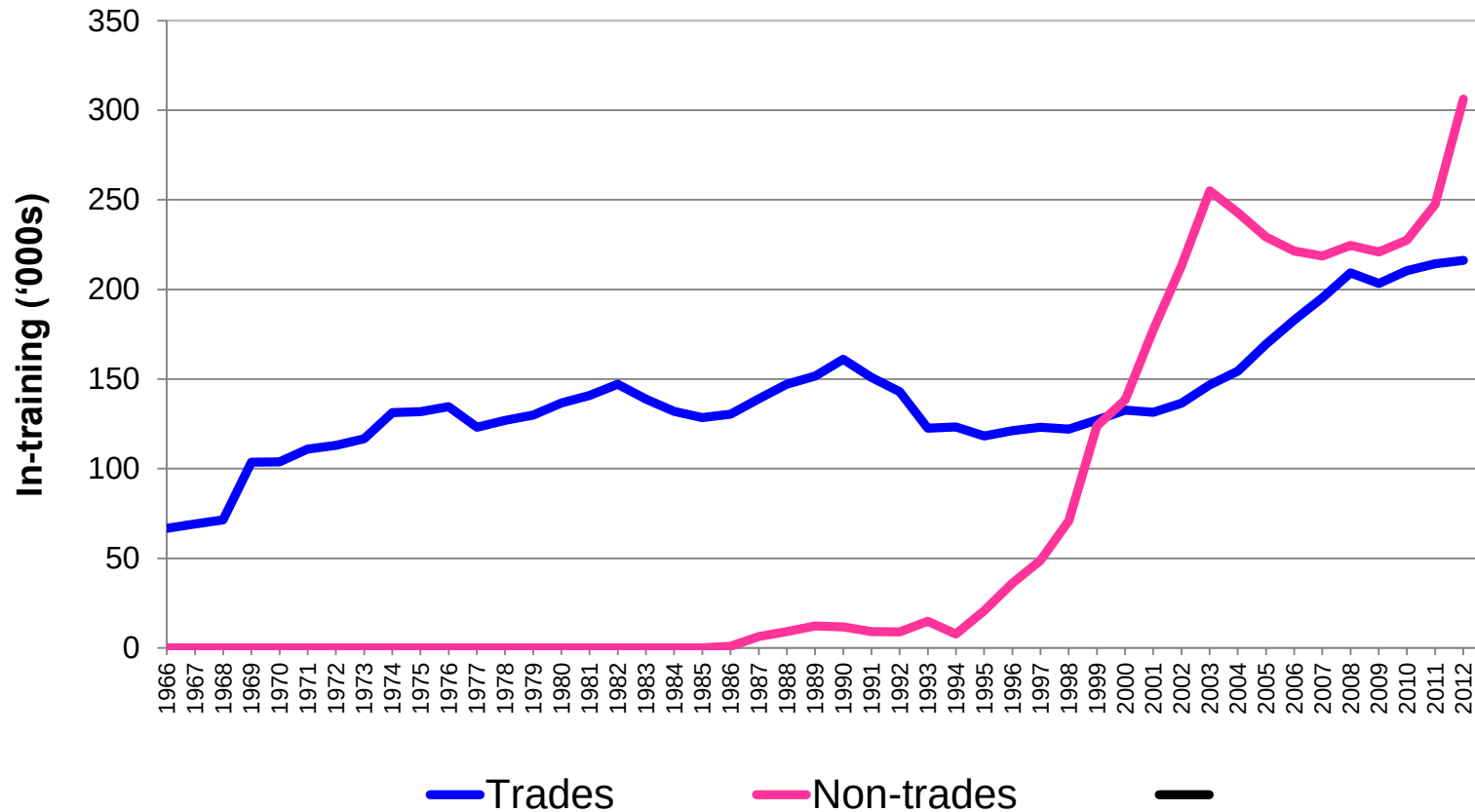


- \$1AUS = \$0.77Euro



- GDP 2011
\$1371.76 billion USD

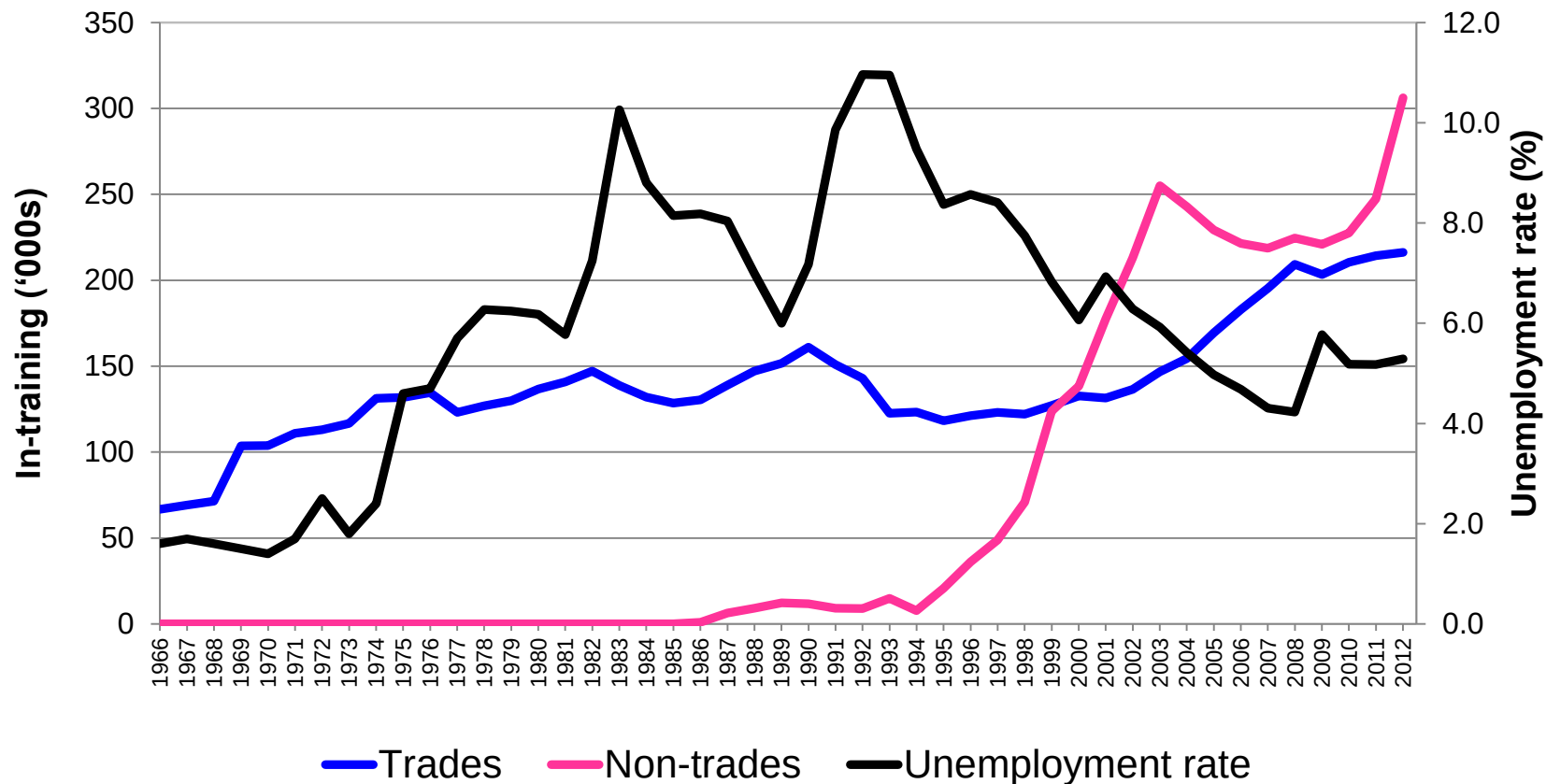
1966-2012: In-training



Notes: August figures used for unemployment rate (original series 1966-77 and trend series 1978-2012) and in-training as at 30 June.

Source: (employment data) ABS, Labour force historical time series, cat. no. 6204.0.55.001 and Labour Force, Australia, cat. no. 6202.0; (apprentice data) Historical time series of apprenticeships and traineeships in Australia, from 1963 and National Apprentice and Trainee Collection, December 2012 estimates.

1966-2012: In-training & Unemployment Rate



Notes: August figures used for unemployment rate (original series 1966-77 and trend series 1978-2012) and in-training as at 30 June.

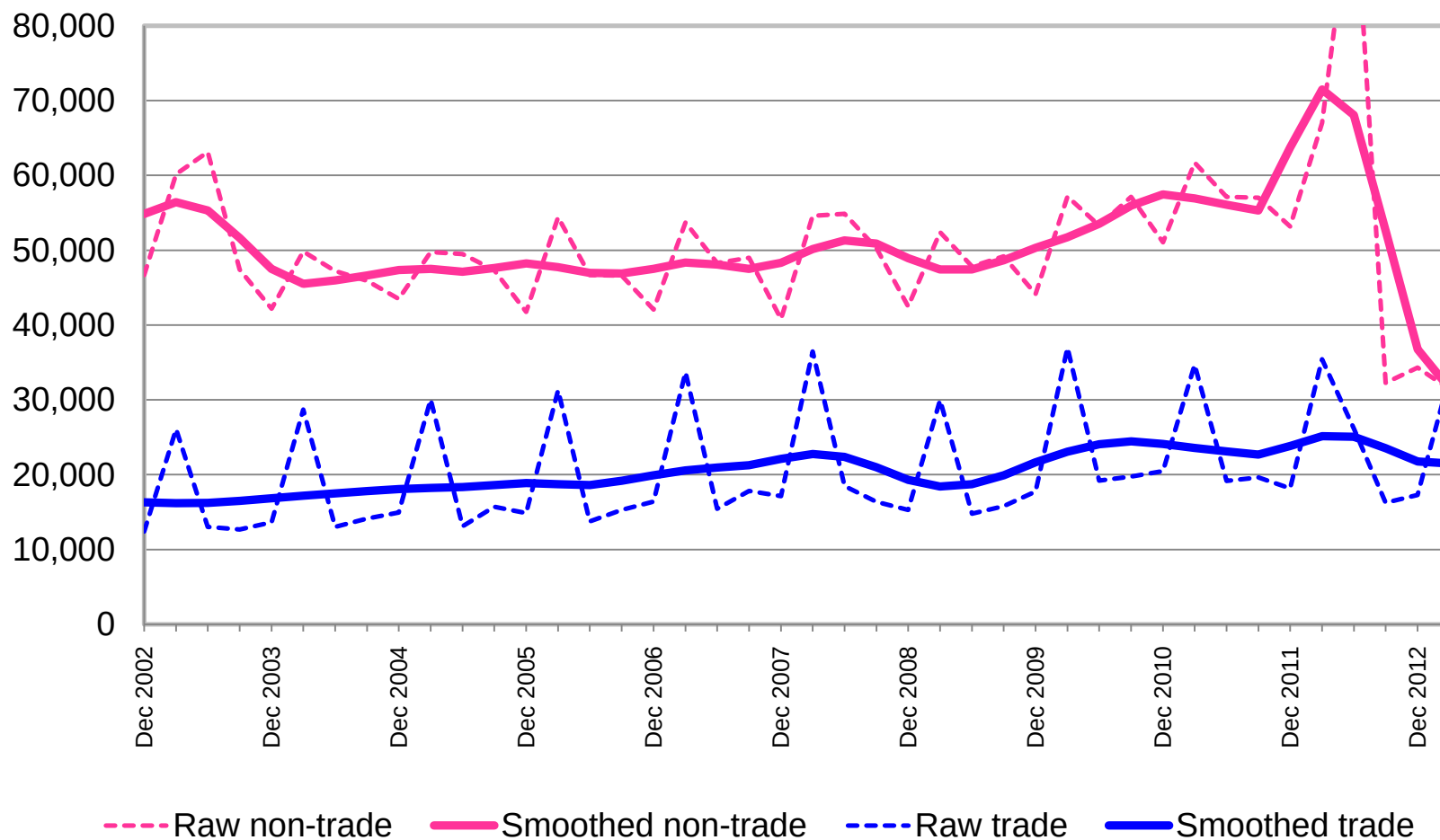
Source: (employment data) ABS, Labour force historical time series, cat. no. 6204.0.55.001 and Labour Force, Australia, cat. no. 6202.0; (apprentice data) Historical time series of apprenticeships and traineeships in Australia, from 1963 and National Apprentice and Trainee Collection, December 2012 estimates.

2012: Commencements

Occupation	Total	%	Female	> 24 Years	% Part- time	Existing Workers	Cert III +
Managers	32,239	9.8	57.7	76.0	18.9	76.3	100.0
Professionals	2,990	0.9	45.7	75.3	17.8	69.3	100.0
Technicians & Trades	95,071	28.9	15.9	36.2	10.3	27.2	99.6
Comm & Personal Service	47,812	14.5	70.0	41.9	65.5	20.9	97.1
Clerical & Admin	56,885	17.3	61.0	62.1	20.4	51.6	97.3
Sales Workers	46,687	14.2	64.1	32.2	62.5	32.7	87.7
Machinery Op & Drivers	21,504	6.5	12.6	79.1	15.9	50.8	90.4
Labourers	25,469	7.7	25.0	65.6	24.5	41.3	65.9
Total	328,657	100.0	43.3	50.3	29.9	39.1	94.0

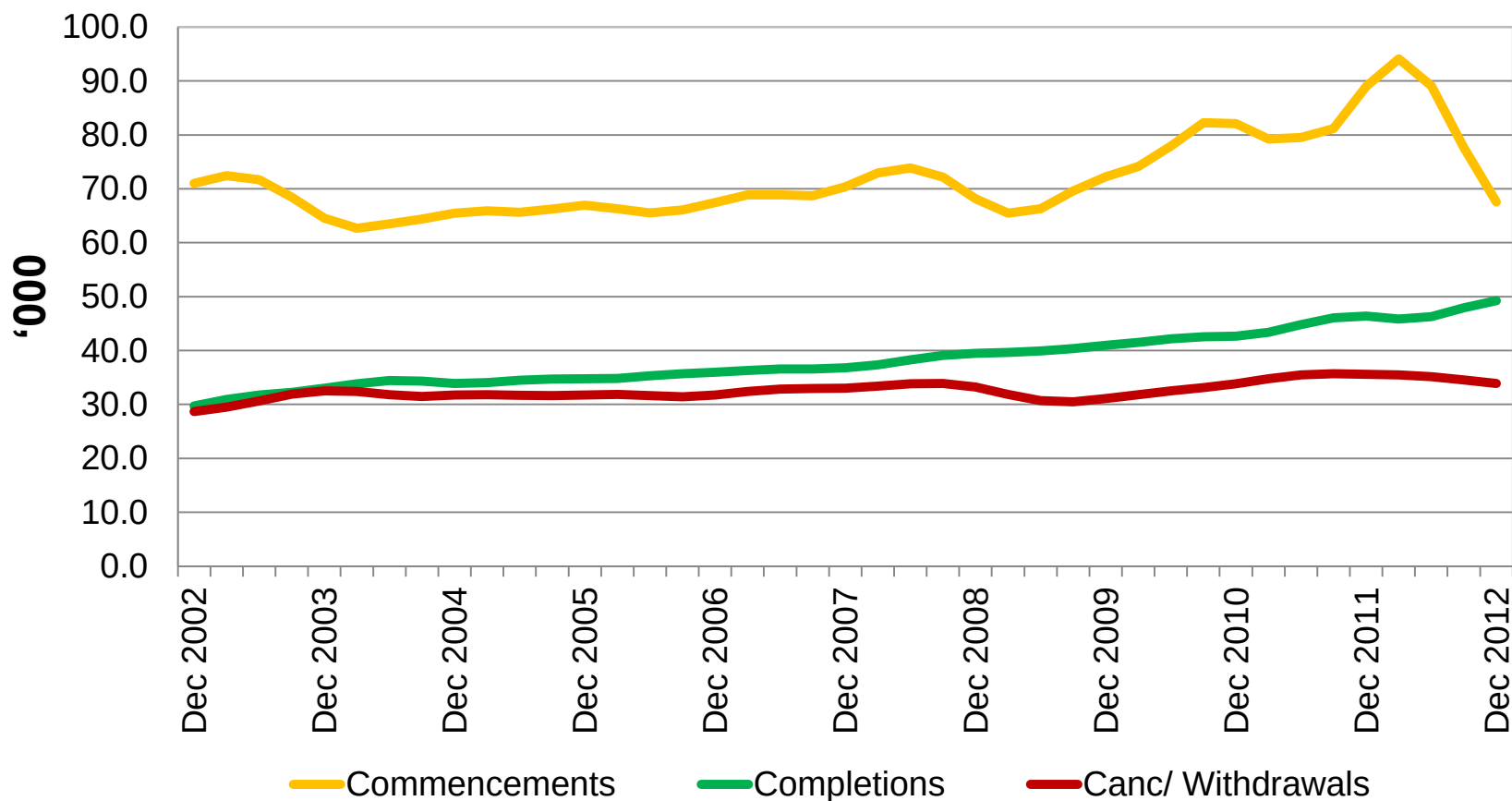
Source: National Apprentice and trainee collection, March 2013 estimates, unpublished

Quarterly commencements (seasonally adjusted)

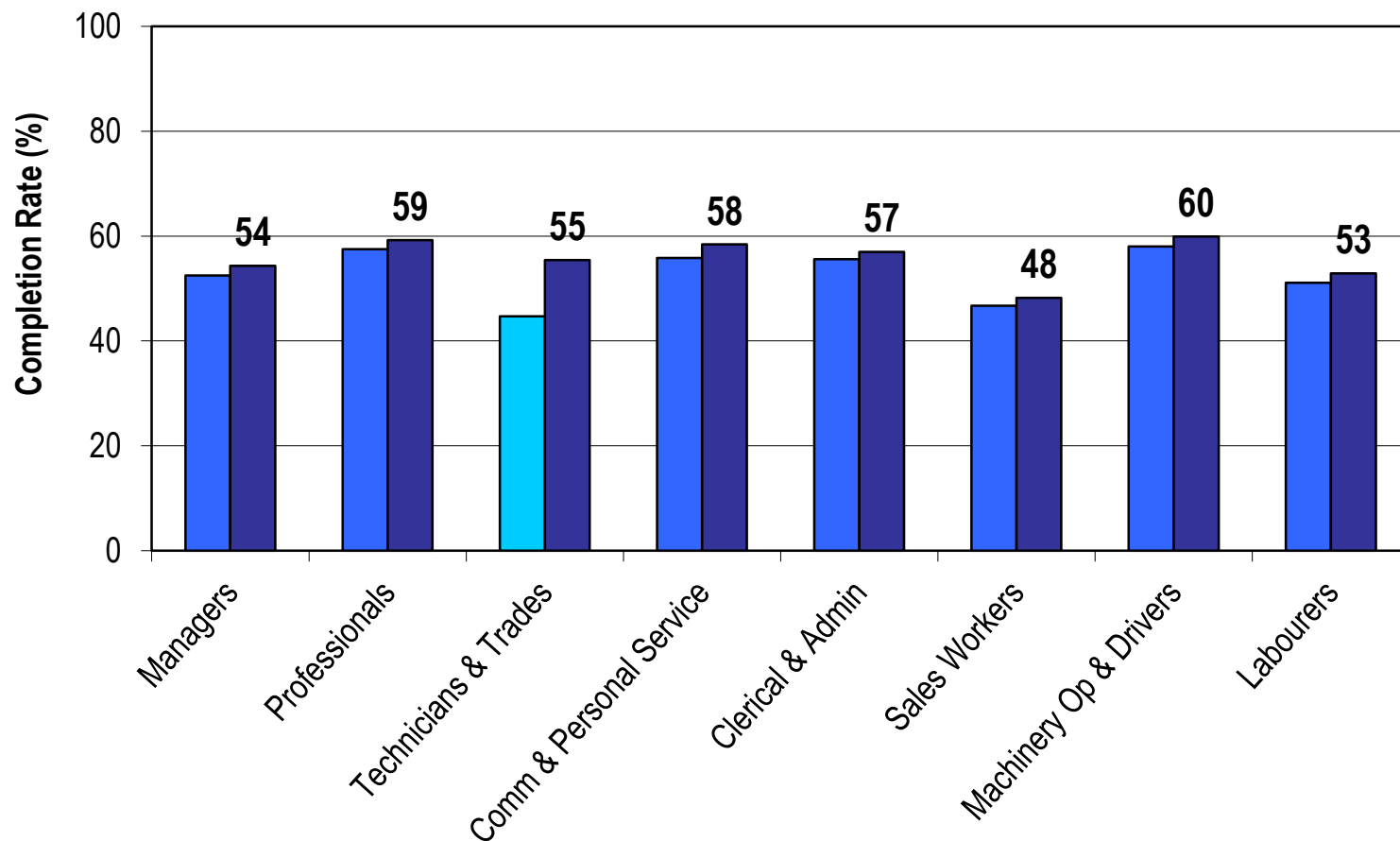


Quarterly commencements, completions and cancellations/withdrawals

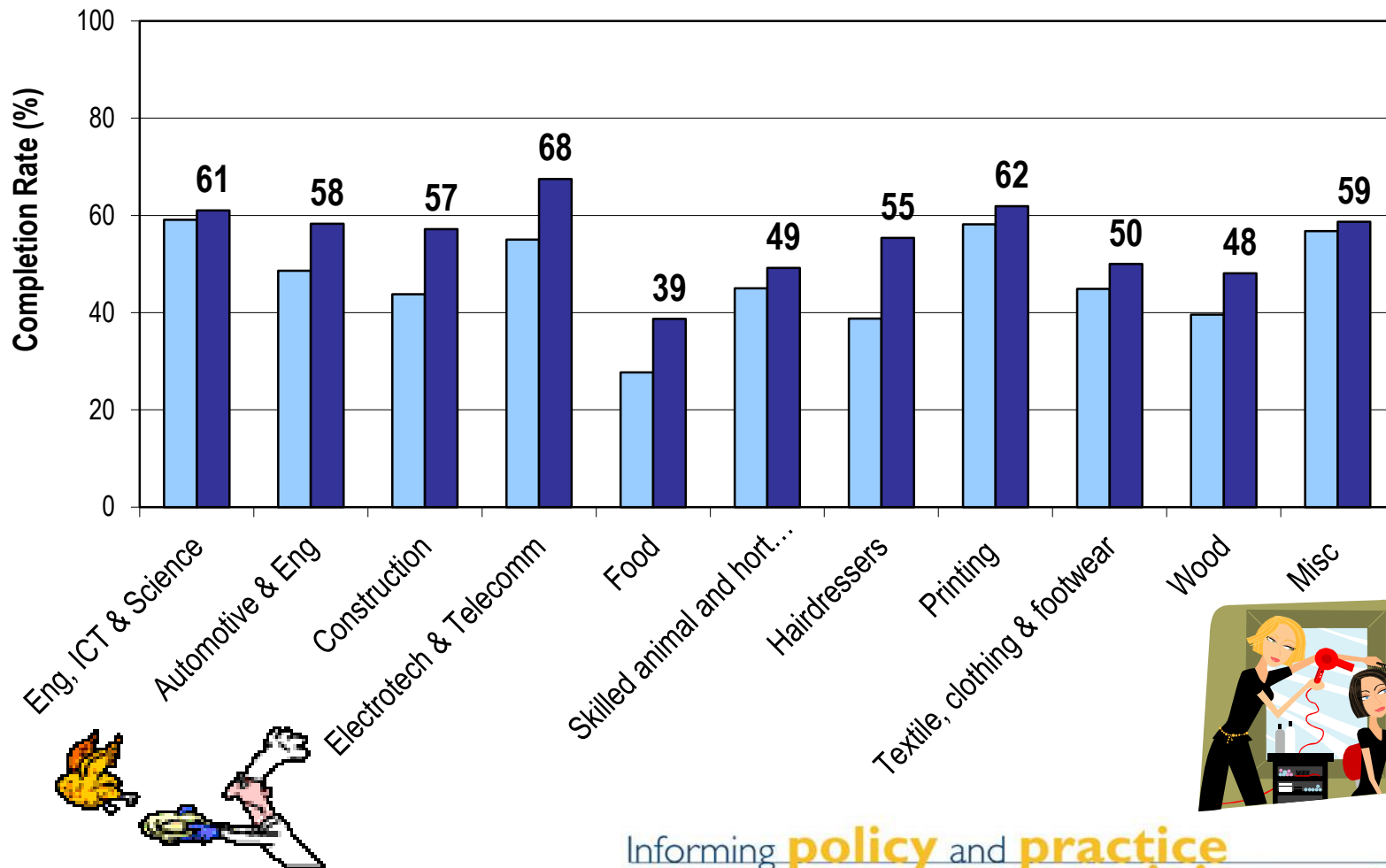
(seasonally adjusted)



Completion Rates: Occupation 2007 cohort

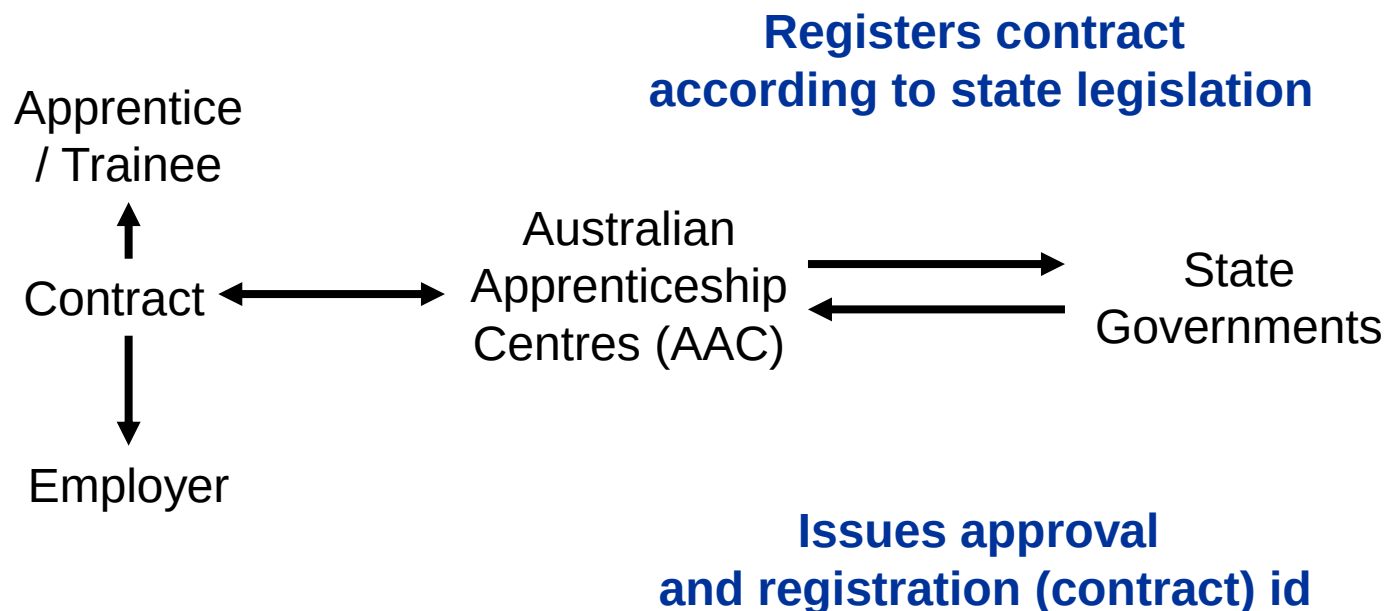


Completion Rates: Trades 2007 cohort



Informing **policy** and **practice**
in Australia's **training system**

How



Costs

- Governments

Management of systems, incentives to offset wages, cost of off job training (subsidised), exemptions (concessions, taxes etc).

- Employer

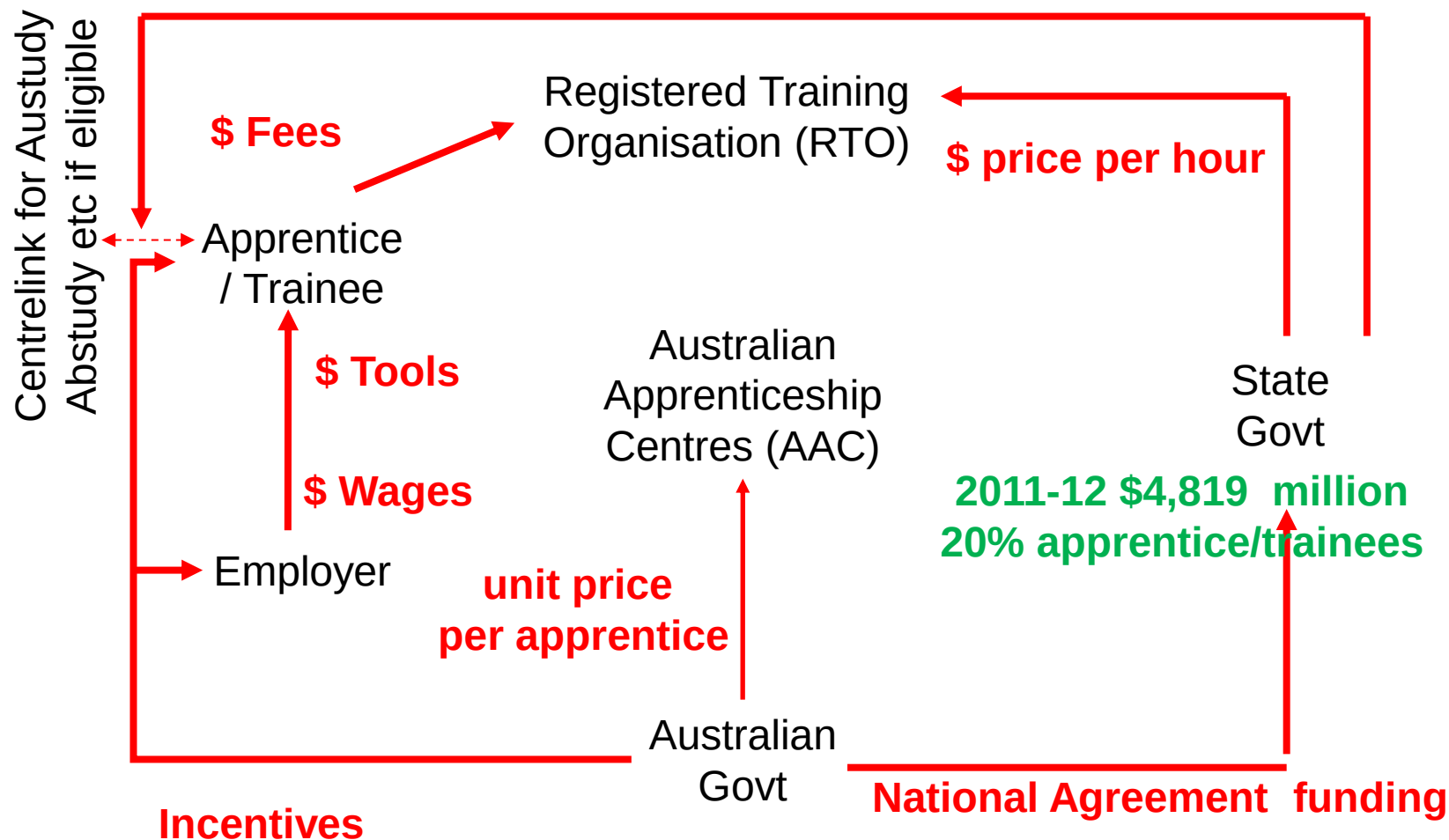
Wages, recruitment, supervision, on-job training, low productivity

- Apprentice/Trainee

Opportunity costs, transport, cost of living away from home, tools and equipment, training

Government

\$ Incentives – varies by state



2012-13 Support \$1,250 Million

informing **policy** and **practice** in Australia's **training system**

Australian Apprenticeships Incentives

<http://www.australianapprenticeships.gov.au/program/overview-australian-government-australian-apprenticeships-incentives-program>

Employer incentives

- Commencement Incentive (\$1500)
- Recommencement Incentive (\$750)
- Completion Incentive (\$2500)
- Apprentice Kickstart Incentives (+\$850+\$2500 retention)
- Rural and Regional Skills Shortage Incentive (\$1000)
- Group Training Organisations Certificate II Completion Incentive (\$1000 cert II)
- Declared Drought Area Incentives (\$1500 cert II)
- Mature Aged Workers Incentives (45 and over) (+\$750 + \$750 completion)
- Australian School-based Apprenticeship Incentives (+\$750 + \$750 retention)
- Assistance for Apprentices with Disability (wage support \$104.30 wkly)

Individual incentives

- Tools For Your Trade payments (\$5,500 over 5 payments)
- Living Away From Home Allowance (\$77, \$39, \$25 wkly 1, 2, 3 year)
- Support for Adult Australian Apprentices (\$150, \$100 wkly 1, 2 year + \$4000)

Australian Apprenticeships Incentives

- 2007-08 Incentives \$604.6 million
AACs \$167.2 million (Budget)
- 2008-09 Incentives \$906 million
AACs \$183 million (Report1)

Apprenticeship support

- 2012-13 \$1,250 million (Budget)
- 2013-14 \$1,074 million
- + Mentoring program + Access Program

Estimated cost of government

Expenditure category	<i>Annual total based on 2008 & 2009</i>		<i>Proportion of total</i>
Australian Apprenticeship incentives to employers ^(a)	\$ billion	0.701	24.0%
Australian Apprenticeship personal benefit payments to individuals ^(a)	\$ billion	0.171	5.9%
Income support payments ^(b)	\$ billion	0.024	0.8%
Workforce Skills Development payments ^(a)	\$ billion	0.033	1.1%
Australian Apprenticeship Centres ^(a)	\$ billion	0.183	6.3%
Notional 50% of VET departmental expenses of DEEWR ^(a)	\$ billion	0.063	2.2%
Notional 50% of funding disbursed to Industry Skills Councils ^(a)	\$ billion	0.020	0.7%
Share of operating expenditures of the public VET system ^(c, d)	\$ billion	1.726	59.1%
Estimated total government support (\$ billion)	\$ billion	2.921	100.0%
Annual per person expenditure, assuming 412,500 in-training annual total		\$ 7,081	

Notes: (a) Australian Government expenditures; (b) for calendar year ending 31 December 2009. Source: DEEWR Data request.
(c) combined Australian and state government expenditures; (d) see appendix C for derivation.

Employer costs

Costs	Benefits
<i>Direct costs</i> ▪ Apprentice wages ▪ Training fees ▪ Group training fees <i>Indirect costs</i> ▪ Supervision ▪ Administration ▪ Maintenance and materials wastage	<i>Tangible</i> ▪ Government incentives ▪ Other incentives ▪ Productive output <i>Intangible</i> ▪ Loyalty ▪ Quality of training ▪ Support industry

Source: NCVER Nechvoglod, Karmel and Saunders 2009

Apprentice costs

Costs	Benefits
<i>Direct</i> ▪ Tuition fees ▪ Costs associated with training ▪ Travel <i>Indirect</i> ▪ Wages foregone	<i>Tangible</i> ▪ Incentives ▪ Allowances/tax rebates <i>Intangible</i> ▪ Future earnings as a skilled worker

Source: NCVER Nechvoglod, Karmel and Saunders 2009

Ledger of employer costs for hiring an apprentice in the electrical industry

Employer costs		Employer benefits	
Apprentice wages	\$159,998	Government incentives	\$12,558
Training fees	\$1,761	Other incentives	\$0
Apprentice supervision costs	n/a	Productive contribution of apprentice	\$120,950
Administration costs	n/a	Implicit benefits	\$28,251
Extra maintenance and materials wastage	n/a		
Total costs: \$161,759		Total benefits: \$161,759	

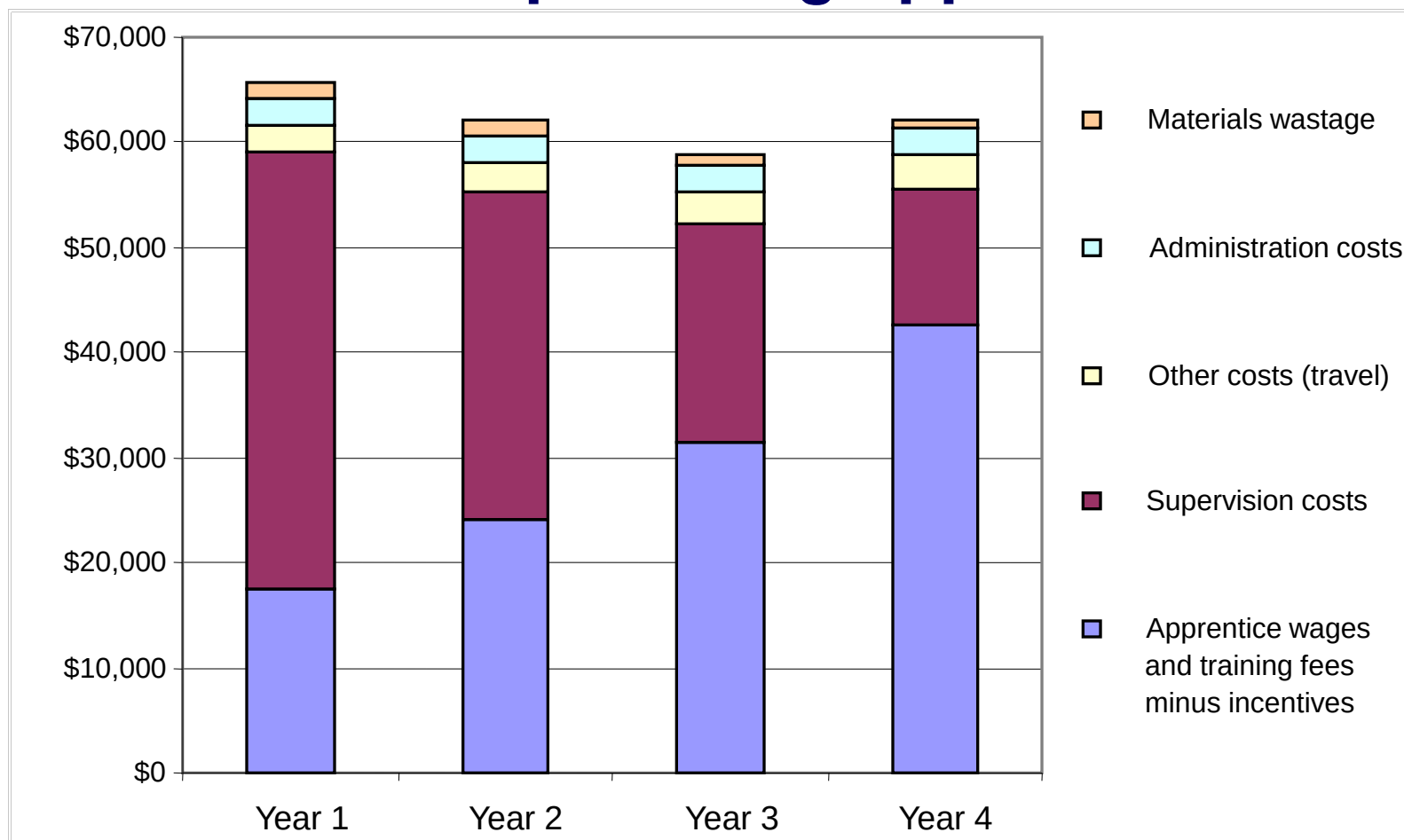
Source: NCVER Nechvoglod, Karmel and Saunders 2009

Employer costs for undertaking training in plumbing industry

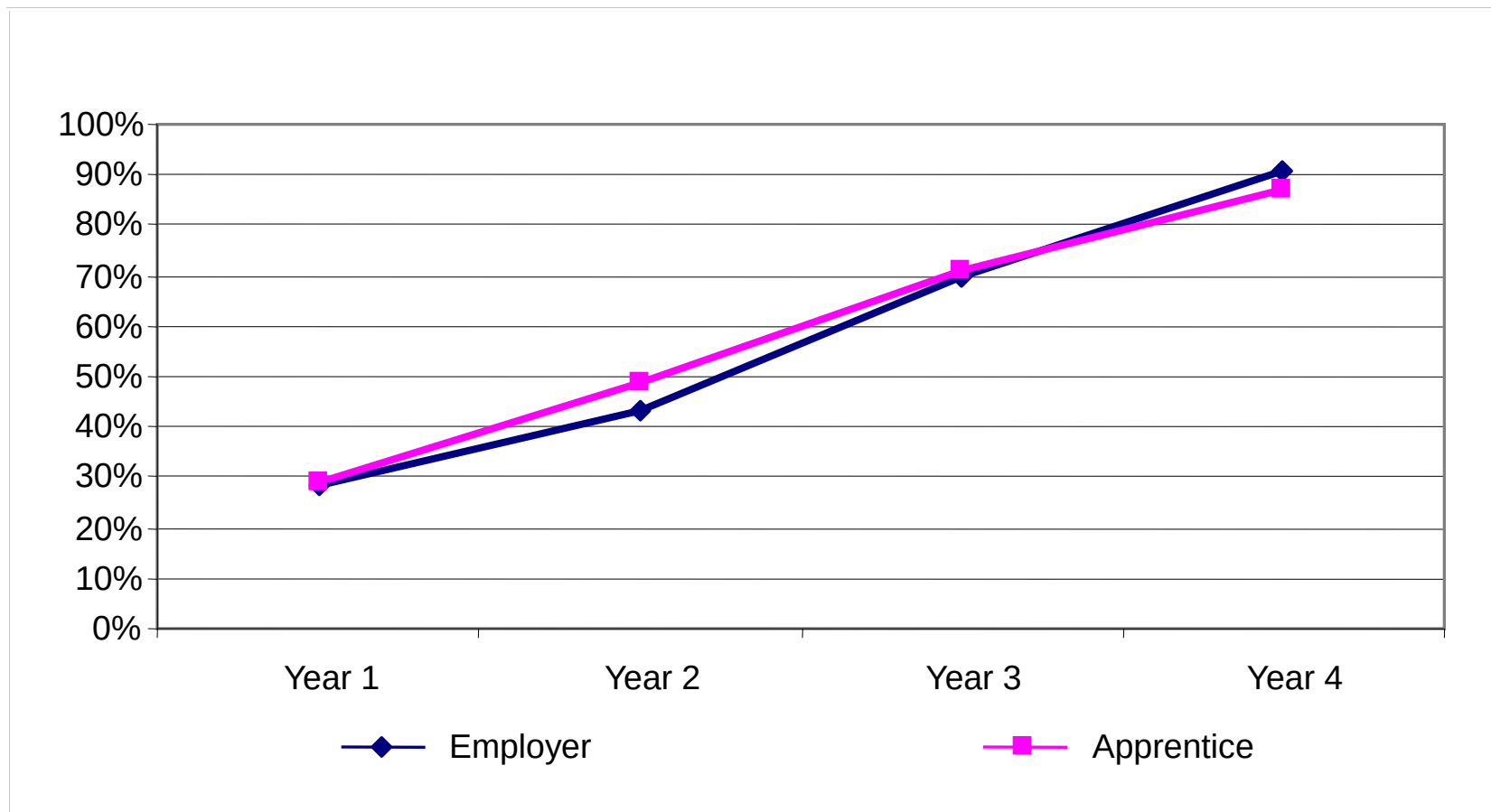
Employer costs		Employer benefits	
Apprentice wages	\$118,181	Government incentives	\$2,475
Training fees	\$0	Other incentives	\$0
Apprentice supervision costs	\$106,600	Productive contribution of apprentice	\$113,319
Administration costs	\$10,400	Implicit benefits	\$135,554
Extra maintenance and materials wastage	\$4,850		
Travel costs	\$11,317		
Total costs: \$251,348		Total benefits: \$251,348	

Source: NCVER Nechvoglod, Karmel and Saunders 2009

Employer's typical costs for electrical/plumbing apprentice



Perceived apprentice productivity – employers and apprentices



Source: NCVER Nechvoglod, Karmel and Saunders 2009

Opportunity cost for an apprentice

Average apprentice wage \$23,300-\$34,500

Newstart allowance \$22,700

Youth wage \$20,800-\$23,800

Labourer \$42,600-\$45,900

- Apprenticeship training is not a cheap model
- From employer's perspective:
 - ▶ Supervision is the key cost
 - ▶ Wages and productivity are almost in balance
- From apprentice's perspective:
 - ▶ All about opportunity cost and return on investment
 - ▶ That is, Newstart allowance, youth wages, unskilled wages, skilled trades' wages

Evaluations

- Program/Occupational level
 - Numbers – counterfactual?, targeted surveys
- System level
 - Employer use and satisfaction survey
 - Destination/outcome survey
- Incentives
 - economic analysis, survival analysis (Deloitte)
 - materiality %wages
 - model state of economy and numbers

Outcomes: Completers

Training Occupation	Employed after %	Same occupation %	Different occupation	
			<i>relevant to current job %</i>	<i>not relevant %</i>
Managers &				
Professionals	96	72	17	7
Technicians & Trades	93	77	9	6
Comm & Personal Service	91	75	10	6
Clerical & Admin	92	65	20	7
Sales Workers	90	62	17	11
Machinery Op & Drivers	96	84	7	6
Labourers	89	69	11	8
Completed Oct-Dec 07	92	72	13	7

Source: NCVER A&T Destinations 2009

Outcomes: Non-completers

Training Occupation	Employed after %	Same occupation %	Different occupation	
			<i>relevant to current job %</i>	<i>not relevant %</i>
Managers &				
Professionals	92	41	25	26
Technicians & Trades	76	25	16	35
Comm & Personal Service	73	34	4.7*	34
Clerical & Admin	76	22	17	38
Sales Workers	77	29	27	21
Machinery Op & Drivers	79	35	23	21
Labourers	73	22	16	35
Completed Oct-Dec 07	77	27	18	32

Source: NCVER A&T Destinations 2009

Employed where?

	Employed - 9 months after finished	In same occupation	With same employer
Completers			
Trade	93	77	49
Non-trade	92	70	67
Non-completers			
Trade	76	25	7
Non-trade	77	28	14

Source: NCVER A&T Destinations 2009

Summary

- Incentives matter to non-trade commencements more
 - Not all employers take up the incentives
 - Not all who start will finish
 - Not all who finish will use the skills
-
- Apprenticeship due to duration not a ready solution to skill shortages
 - Number of starts linked to economic conditions, institutional alternatives not liked by Industry

Evolution of apprenticeships and traineeships in Australia: an unfinished history

<http://www.ncver.edu.au/publications/2444.html>

Summary of the Australian Government Australian Apprenticeships Incentives Program

http://www.australianapprenticeships.gov.au/sites/default/files/publication-documents/SummaryoftheAustGovntAAIP_Oct2012_0.pdf

Apprentice Kickstart Initiative

http://www.australianapprenticeships.gov.au/sites/default/files/publication-documents/Apprentice%20Kickstart%20Initiative_0.pdf

<http://www.australianapprenticeships.gov.au/publications>

Taskforce review papers including evaluations

NCVER Report 1 – Overview of the Australian apprenticeship and traineeship system can be

found at <http://www.australianapprenticeships.gov.au/sites/default/files/publication-documents/NCVERReport1.pdf>

Econometric Analysis of the Australian Apprenticeships Incentives Program

<http://www.australianapprenticeships.gov.au/sites/default/files/publication-documents/EconometricAnalysisAAIP.pdf>