National Australian Apprenticeship Association

A blueprint for strenthening apprenticeships

TECHNICAL PAPER

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Contents

How Australian Apprenticeships work

Australia has a federated apprenticeship system with responsibility for industrial arrangements and the declaration of vocational training orders residing with the States and Territories. These jurisdictions govern the apprenticeship system through their Apprenticeship Acts and are responsible for funding the delivery of training through their public providers and respective training markets.

The Commonwealth provides co-funding support for this training through the Skills Agreement,[1] provides incentives for employers to take on apprentices and trainees, targeted incentives for apprentices themselves as well as funding the Australian Apprenticeship Support Network (AASN).

The AASN is comprised of seven Apprenticeship Network Providers (ANPs) that operate on a competitive basis and are contracted by the Department of Education Skills and Employment (DESE). This arrangement has been in place since 1998 with the number of ANPs progressively reduced in each of the seven contracting rounds.

The Australian Apprenticeship Support Network
The *people* who make apprenticeships work

AUSTRALIAN
APPRENTICESHIP
SUPPORT NETWORK
An Australian Government Initiative

TRUSTED PARTNERS
• Enduring relationships with 150,000 employers
• Skills and workforce planning
• 23 years of trusted partnerships

EXPLAINERS
• Demystify the apprenticeship system
• Determine incentive eligibility
• Walking you through how to get started

DELIVERERS
• Administer complex AASN contract requirements - gatekeepers of quality
• Seamlessly deliver government priorities - BAC and SAT
• Digital innovators - Co-design of JR Active and predictive analytics

PROMOTERS
• Visit schools nationally to promote apprenticeships and traineeships
• Visit employers to encourage them to participate
• Gateway services to drive quality commencements

ADVISERS
• Resolving workforce issues
• Coaching appropriate behaviours
• Linking to specialist supports

MENTORS
• Mentor 40,000 apprentices and trainees each year
• Assistance to address complex barriers and issues
• "We've got your back"

The 1,800 people that ensure Australia has the skills it needs

The apprenticeship system is complex and the ANPs are the glue that holds the system together.

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1. Currently being finalised and preceded by the National Agreement for Skills and Workforce Development

ANPs have been instrumental in the implementation of Covid 19 stimulus measures that have increased apprenticeship commencements by 35% in the last year and returned in- training numbers to over 2.5% of the workforce. The threshold at which the Australian economy has historically avoided persistent and widespread skills shortages.

ANPs have a deep understanding of the jurisdictional nuances and system complexity. They demystify the system for employers and their apprentices and guide them through their requirements.

The competitive nature of the AASN contract has led to consistent innovation in the delivery of services and evolution of Ready Apprentice the front-end software that all ANPs have co-designed and use.

Having consistent contract requirements but a competitive market for services means there is a high degree of specialist and corporate knowledge in the support network. This gave the system the bench strength to rapidly respond to the stimulus measures introduced for apprenticeships and to ensure their success.

It's also the insights developed over 23 years with more than 250,000 employers and 4.8 million apprentices and trainees that have informed the 14 recommendations in this paper.

Current state

The stimulus investment in apprenticeships has revitalised the sector after a decade of declining numbers. ANPs have proved their value as an independent and knowledgeable network that can provide advice and execute government policies through the peaks and toughs of the pandemic. This well connected and mature network was able to draw on 23 years' experience to work with employers to execute government's priorities and optimise stimulus investment.

In June 2021 there were 348,400 apprentices and trainees in training - around 2.5% of the workforce. This is a return to the levels consistently achieved in the first part of this century.

The apprenticeship system has proven its resilience through the Covid 19 "stress test" because it is well understood by employers and the community alike, was well supported by record federal government investment and had a network of experienced providers who explained how to access the measures and how the system works.[2]

The key issues facing the apprenticeship system now are:

- How to maintain an optimal level of commencements, providing opportunities for young people and a skilled workforce for business

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2. Compare this with the Job Maker Hiring Credit that had similar levels of funding per employee, but which failed to get traction because it lacked intermediaries to assist employers put it into action and set additionality requirements that proved counterproductive.

- How to improve completion levels
- How to improve the user experience, given the current aging technology and the lack of hamonisation across the complex federated system
- How to improve the learner journey, with a more flexible qualification structure at arms-length from current industrial relations constraints
- How to support businesses with the new and higher-level skills they need as we emerge from Covid 19
- How to align the VET reform agenda to ensure the mix of apprenticeship support services meet all the needs of employers their apprentices and trainees.

The Boosting Apprenticeships Commencement measure proved that with the right incentive mix employers will return to the apprenticeship system after a decade of drifting away. This is because the value proposition to be involved has tilted in employers' favour. However, the BAC measure is expensive, and we need to find the incentive mix that maintains employer engagement but steps down the costs to a more financially sustainable level.

Completion rates at 56% are broadly comparable with similar economies. New Zealand achieves 54% and England 58%. They compare favorably with Higher Education 4-year completion rates at 42%. Completion rates are stubborn to shift upwards because of long standing and intractable impediments such as:

- School leavers receiving sub optimal career pathway advice
- Outdated technology and process flows
- Inappropriate work and supervision practices by some employers
- Industrial constraints on the qualification structure
- A low apprentice wage structure, and
- Directing enough resources to where the supports are required.

The intractable nature of these issues has given rise to an exploration of alternative trade pathways in NSW and the piloting of cadetship models by the Commonwealth. Alternative ways of achieving integrated work based learning and relevant experience that employers value.

This paper argues that now is the time to tackle the apprenticeship system's intractable problems head on. Since 1998, 4.8 million Australians have undertaken an apprenticeship or traineeship - the system is a national treasure and with the right policy focus it can be reinvigorated and revitalised for the next decade and beyond.

The paper proposes 14 initiatives ideas which in combination will:

- Maintain commencements
- Improve completions

- Smooth the user experience
- Update the qualifications' structure
- Improve the learner journey
- Optimise the uptake of new technologies that can support user of the system
- Target support resources for optimal effect.

The policy ideas build on the VET Reform Agenda and the development of the Apprenticeship Data Management System that are underway. They learn the lessons of the recent successful surge in commencements, and they challenge governments to look at what is possible now.

Recommended initiatives	Employers	Apprentices & Trainees	School leavers & candidates	Governments
National school engagement, promotion and screening			■	
Evidence based careers advice & job matching	■		■	
First time apprentice employer - expanded initial support & registration	■	■		
Technology enabled & demand driven support for registered employers	■			
Predictive analytics inform pre-sign up advice		■	■	
Technology enabled & demand driven in-training support		■		
Expanded mentoring places - for all that need the support		■		
Supervisor training	■	■		
Fast track existing worker traineeships for higher qualifications	■			■
Resolve structual impediments to apprenticeship qualification reform				■
Identify "apprentice employer champions" with high completions	■			■
Research how "apprentice champions" achieve higher completions				■
Streamline "priority workforce" support payments for employers and apprentices	■			■
Research, pilot and evaluate apprenticeship support service innovation				■

For **employers** this would mean:

- Evidence based job matching based on known success factors
- Expanded support for first time apprentice employers
- Technology enabled and demand driven support as required
- Access to free supervisor training
- Fast track existing worker traineeships for higher level skills
- Recognition as apprentice champions where completion rates are high
- Streamlined "priority workforce" incentive arrangements that recognise the vital role employers play in this integrated work-based learning system.

For **apprentices and trainees,** it would mean:

- Supportive workplace environment with first time employers
- Predictive analytics informed advice before signing up
- A mentoring place for all that need it
- Improved supervision from trained supervisors
- Enhanced incentives for apprentices in the "priority workforce"

For **school leavers and candidates,** it would mean:

- A national system of school engagement about apprenticeships
- Careers advice and screening based on local and regional job availability
- Greater understanding of apprenticeship pathways
- Access to evidenced based job matching for all that request it

For **governments** it would mean:

- Creating existing worker traineeships for higher qualifications
- Resolving structural impediments to apprenticeship qualification reform
- Identifying "apprentices employer champions" with high completions
- Researching how "apprentice champions" achieve higher completions
- Streamlining "priority workforce support payments"
- Research, pilot and evaluate apprenticeship support service innovation

For governments this will mean being able to improve the efficiency and effectiveness of the system and realise the benefits of their investment in new technology. It will improve the user experience for employers, apprentices, and trainees, improving completion rates in the process.

It will maintain the value proposition for employers to stay engaged in the apprenticeship system when stimulus measures end. This will provide a smooth pipeline of job opportunities for young people and ensure employers have the skills they need as the economy bounces back from Covid 19.

For school leavers and mid-career candidates there is expanded advice based on the factors known to increase the likelihood of a successful completion.

The new Apprenticeship Data Management System will progressively automate functions currently provided by the ANPs. The Association welcomes these innovations where they improve the user experience of apprentices, trainees, and their employers.

The federated apprenticeship system is complex, and this leads to otherwise avoidable bottlenecks and delays, as jurisdiction-based registration, approval and training processes use slightly different approaches to achieve the same outcome.

Harmonising these processes and aligning all workflows through a single national apprenticeship management software system has the potential to significantly streamline the way apprenticeships are administered.

ADMS will be progressively rolled out over the next two and a half years culminating in a stage 4 release in June 2024. In the interim the following initiatives should be researched, piloted, and evaluated then integrated into the new support services mix.

1. National school engagement, promotion, and screening

Building on the Gateway services model in the current AASN contract this would involve the deployment of careers advice about apprenticeships delivered to all schools that wish to participate nationally. ANPs use differing approaches to deliver these services and this market based contracting model should be preserved because it is the cornerstone of innovation and improved outcomes.

Future AASN contracts could be expanded with requirements for providers to incorporate predictive analytics screening tools into their career's advice methodology. The aim being to inform the student, their parents and support people about their employment prospects and likelihood of completing their apprenticeship. Learnings from the current PRIME[3] project could further assist to enhance and develop these initiatives.

The number of Gateway careers advice places should be uncapped and provided to all schools that wish to participate.

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3.   PRIME is a project funded by the National Careers Institute partnership grant program and delivered by NAAA, Esher House, AATIS and participating ANPs.

2.   Evidenced based Job Matching

The current Gateway service includes a requirement for assessment, streaming and matching of candidates that are eligible to access a place. The methodology used by each provider is not prescribed in order to facilitate and encourage innovation. Available places are currently capped.

Future AASN contracts could require that ANPs matching tools are referenced back to the factors underpinning a successful apprenticeship. The matching tools should link with all the data points captured in the screening process and be used to track the effectiveness of the advice by cross referencing the advice provided against the success of the outcomes. The matching process should also include an implicit assessment of the likelihood of the employer being able to successfully support their apprentices and trainees. The different approaches used by ANPs should be evidence based and data driven.

The number of Gateway job matching places should be uncapped, and demand driven to support this approach.

3.   First time apprentice employer - expanded initial support and registration

Expand the suitability assessment process for first time employers and include a suite of services to ensure the employer can meet their contractual obligations. It may require the employer to use a free Gateway job matching process for example if they are new to the system or have no formal process in place.

Separating the registration and Training Contract process would also potentially allow for a more detailed safety assessment, and a meeting with the proposed supervisor to induct them into their supervisory requirements. The registration process may involve several contacts over a number of days including workplace site visits. It is a strategy focused mostly on small and family businesses that may lack sophisticated HR processes - a key reason for apprentice cancellations.

4.   Technology enabled and demand driven support for registered employers

Once an employer has successfully employed an apprentice or trainee most of their details will already be captured in ADMS and their Training Contract details should be prepopulated ready for a self-service review by the employer. The NCI incentive eligibility tool could inform them about the current financial assistance likely to be available and this could be confirmed when the details of

the actual candidate chosen for the position are known. A registered employer could then choose to have the sign-up process via video conference.

At the moment the preference of most employers is for a face-to-face process, but this may change as the ADMS technology matures and employers become more familiar with it. This would cut waiting times and streamline the sign-up process. The employer could use the self-service portal to request additional support as needs dictated. This would trigger a contact from the ANP to discuss their issue and ongoing support needs.

Over time the service mix could be expanded to include workforce development planning to assist employers create the right mix of entry level pathways for school leavers and higher- level qualifications for existing workers, optimising their return on investment for both.

5. Predictive analytics inform pre-sign up advice

Currently around half of apprentices and trainees commence directly after leaving school. Most of these will be captured in the school engagement and job matching processes referenced above. For the balance of candidates, the ANP will schedule a meeting before the sign up occurs, triggered by an employer auto generating a Training Contract. This will be an opportunity to run predictive analytics assessments, advise the candidate about their obligations, help them create their ADMS account and take them through the ways in which they can seek additional support.

6. Technology enabled and demand driven in-training support

New apprentice and trainee portals could be linked to a mobile phone App that they can use to trigger support visits and notify of changes. This could augment the standard visit schedule by an ANP representative but also be used to send regular notifications, seek feedback about the apprenticeship experience, survey for common issues and trigger additional support visits accordingly.

The data from the App could form a rich source of information about the issues that contribute to non-completion and apprentice-initiated cancellations.

7.   Mentoring places for all that require them

The Job Matching and Pre-sign-up advice services will indicate if a candidate is likely to need additional mentoring support. In addition, the apprentice or trainee can use the App to request additional support or raise an issue that may require an ANP intervention in the workplace. The types of services will be like the current contract, but the number of places should be expanded to meet all identified demand. Over time the predictive analytics tools will also be used to streamline and inform the types of interventions required.

8.   Supervisor training

The supervisory requirements for apprentices and trainees are complex and comprehensive. Currently there is no formal requirements for supervisors to be trained in these requirements so they draw on their own prior experience being supervised as an apprentice - which may have been patchy and many years before.

Yet a poor workplace experience is a primary reason given when apprentices cancel. So, supervisor training has the potential to improve the workplace experience and therefore improve completion rates. The Association suggest that supervisor training become mandatory for employers receiving the higher incentives it proposed. An online course was envisaged, but this could be augmented by ANPs conducting the programs locally and providing ongoing coaching for new supervisors.

The first eight recommendations preserve the centrality of the Training Contract in the arrangement but spreads the support workflows in the weeks and months before and after the Training Contract is executed.

The model expands the upfront support of employers through the registration process, targeted to the time when they are likely to need the support most. It also expands the engagement with schools, aiming for complete coverage over time. Similarly, the number of mentoring places would be expanded to meet all identified demand.

The standard contact schedule could also be augmented with an App notification-based contact, followed by additional demand driven contact schedules based on the issues highlighted.

The sophistication of assessment processes is assumed to increase with data driven predictive analytics tools being used to determine eligibility for additional supports. These will sit behind a demand driven framework where users of the system can trigger additional supports based on the issues they encounter.

The net impact on the AASN budget will be to reinvest cost savings achieved by automating administrative processes into additional screening and mentoring arrangements as proposed by the Productivity Commission. The primary intent of migration to the new service mix is to improve the experience and outcomes of the system, both in terms of commencements and completions.

9. Fast track higher level existing worker traineeships

A new system of existing worker traineeships for higher qualifications at AQF 4 to 6. In 2012 the national system of Existing Worker Traineeships was progressively dismantled by removing the employer incentives associated with the measure. There were some examples of over-use of these types of traineeships and because they were available for entry level qualifications the very high uptake made them expensive to support.

At worst they were a wage subsidy that did not create many additional employment opportunities, but at their best they encouraged widespread participation in the training system, formalised skills learned on the job, and supported learning cultures in workplaces that previously had little focus in this area.

In the decade since the agenda has moved on but employers still place a premium on applied skills experience learned on the job. Many employers of recent higher education graduates report that it takes several years for the knowledge they have gained to be able to be applied in the real-world context in which businesses operate.

This has seen an expansion of integrated work-based learning approaches by universities. At the same time the federal government is piloting new models of paid cadetships whilst in other OECD countries unpaid internships feature as part of the tertiary education to work transition.

The Skills White Paper in England has highlighted the gap that exists at skill levels 4 and 5. Whilst in Australia the National Skills Commission anticipates expanded demand for higher level skills as the economy recovers from the pandemic with skill level 3 (certificates III and IV including at least 2 years on the job training) "having greater representation in resilient occupations that either skill level 2 or 5".[4]

The Association proposes that a new model of higher-level existing worker traineeships be designed to support the career aspirations of current employees seeking to upgrade their skills and gain promotions. The model should be designed to support businesses as they rapidly evolve their business approaches and adopt new technology.

Higher level digital qualifications for example can potentially be well supported through the new ICT training package but a delivery model that suits business needs is currently lacking. Rather than reinvent the wheel with a cadetship model where the industrial relations risks could be crystalised it would be preferable to support a reinvigorated existing worker traineeship model where all the support structures are already in place.

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4. The shape of Australia's post Covid 19 workforce, ASC 2021 - characteristics of most resilient occupations.

The features of the model should include:

- Focus on higher level qualifications from AQF 4 to 6
- Use the Australian Skills Classification to design a recognition of current competence model that is streamlined and accurate
- Target workers that already have high workplace attachment and engagement, understand the workplace culture and are seeking career progression
- Design the system around stackable micro credentials that build to a full traineeship qualification, but that can be undertaken in bite sized chunks with skillset exit points
- Target industries on the skills priority list or where (like aircraft maintenance engineers for example) the training pathway is only open to existing staff
- Supported by RTO / workplace partnership grants to fund the recognition, mapping, and fast tracking of the learning journey
- Provide appropriate incentives for employers to participate, using the streamlined support payments model outlined below
- Require employers to maintain the existing wage rate of the employee during their period of study.

A model with these design parameters would achieve high completion rates, provide an excellent learning journey and ensure that employers have access to the new skills they need to be competitive in a changing economy.

10. Resolve structural impediments to apprenticeship qualification reform

The VET Reform Roadmap includes a significant focus on qualification reform, underpinned by the implementation of the revised Australian Qualifications Framework (AQF).

Apprenticeship qualifications are currently inextricably linked to the industrial relations instruments that gave rise to them. They have both underpinned the proper treatment of apprentices and set minimum relative pay rates. Many were designed for an era where the predominant apprenticeship pathway was for 15-year-old boys moving from school to work. And where Awards determined the actual wages that tradespeople were paid.

Under this model it made sense to reference apprentice wages to tradespeople's wages, with Classification 10 in the Award hierarchy often being the fulcrum for both. But this was before the school leaving age was raised in most jurisdictions to 17, where most apprentices commence when they are 18 having achieved their High School Certificate[5], where over a quarter of commencements are by people over the age of 25 and where the National Minimum wage has become the economy wide benchmark.

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5. Or state and territory based equivalent

One of the historical impacts on apprentice qualifications is that the pay rate is linked to the anticipated qualification outcome. An Industrial Relations artefact that has effectively linked C10 to Cert III level qualifications. This imposes an outdated construct which results in trade level Cert III qualifications taking three years as a part of a 3 to 4-year apprenticeship whilst other Cert III VET qualifications take about a year to complete.

Everyone recognises that they qualifications are *not* comparable, except the national training system.

The new taxonomy in the revised AQF has the potential to address this intractable issue, although the implementation of the new approach has been slowed by the pandemic and the focus on the wider VET reform agenda.

The Qualification Reform process also has the potential to break through with a more transferable model based on core, technical and specialist skills referenced to the Australian Skills Classification that decouples skills from occupations.

But the intractable problems are there for a reason - they require bi-partisan support to address and will require an inclusive "accord" style process to deconstruct.

There is a risk that licenced trades and apprenticeship training models are put in the "too hard" basket whilst the more easily transferable skill qualifications are addressed first. Giving rise to a two-tiered system where the intractable issues are left until last.

The Association proposes that this be avoided given the once in a generation nature of qualifications reform. That the learning journey of apprenticeships be addressed as a priority and the thorny issue of the nexus with industrial relations comparability, licensing arrangements and pay rates be dealt with head on.

By focussing on the learning journey, the qualification reform process could then:

- Allow for full qualification exit points along the apprenticeship journey
- Use the revised AQF to account for the experience and proficiency gained through an apprenticeship to, in most cases, result in a Cert IV or Diploma level qualification
- In so doing raise the status of this pathway and improve the proposition to undertake an apprenticeship
- Improve apprenticeship and course completion rates

The design of the apprenticeship training model should be formally updated to recognise and incorporate the supervision and coaching provided by the employer, the experience and proficiency built up over time by the apprentice, and the real-world value created by this integrated work-based learning approach. In essence the development of a capability framework for apprenticeships.

The new model should facilitate recognition of current competence and fast track gap training for experienced workers undertaking an apprenticeship as well as map transferable skills to encourage greater gender diversity across currently male dominated trades.

The new model also has profound implications for the role and funding of training providers, as they move from narrowly focussed course delivery to a workplace centric consulting service that facilitates transferability, recognition services, gap training design and multiple entry and exit points that meet the needs of learners and the businesses in which they work.

11. Identify "apprentice employer champions" with high completion rates

There are several complex factors at play when an employer is deciding whether to employ an apprentice or trainee. In the decade prior to the pandemic the number of employers engaged in the system fell from around 162,000 in 2009 to 118,000 in 2019. This reflected a diminishing value proposition over time and the winding back of Existing Worker Traineeships.

The value proposition for employers to be involved in the apprenticeship system can be summarised as:

- The work they would like the apprentice or trainee to do
- The revenue this will generate, both in terms of billable or productive hours and financial incentives they may be eligible for
- The wages and oncosts required to employ the apprentice
- The resources required to supervise them appropriately
- Productive time "lost" when the apprentice attends formal training and how much the course enrolment fees (paid by the employer) will be
- Any production risks caused by interruptions or breakages
- The risk that the apprentice or trainee will leave before completing their Training Contract

The success of the apprenticeship construct for each business is likely to be affected by the:

- Relative complexity of the entry level role
- Speed for the apprentice or trainee to "pay their own way"
- Opportunity cost of providing the additional workplace supervision
- Sophistication of the employer's recruitment, on boarding and HR practice
- Employer's recent experience and success employing apprentice and trainees
- Ability to access the "right" formal training

Whilst an apprentice is employed the largest net additional cost is the supervision and coaching arrangements required under the Training Contract. Apprentice wages are a significant cost, but these are arguably offset, especially in the latter periods, by the productive work the apprentice undertakes for the employer.

Therefore, the highest financial risk born by the employer is the level of non-completion. Some employers achieve higher than average completion rates to avoid this risk. These employers tend to:

- Be larger - employing over 50 staff
- Have sophisticated support and human resource management arrangements
- Pay above award pay rates
- Have a strong brand presence
- Are likely to offer internal career pathways

But not all apprentice employing businesses can match these capabilities, so a more nuanced evidence based is required to tease out how micro, small, and medium sized employers achieve higher completions.

Organisations that achieve higher completions should be formally recognised and celebrated for their success. Part of the recognition arrangements would be an invitation to participate in national research to determine how they achieve it for a company of their size.

12. Research how apprentice champions achieve higher completions.

Around 36% of apprentices separate from their employer in the first year. Usually this is for a range of workplace related reasons, with low wages often amplifying these issues. Most first year apprentices can earn up to a third more by to switching to any other job paying the minimum wage. When you are on a low wage a 33% pay increase is a big incentive to switch.

When this occurs the employer has lost a significant part of their investment in the apprentice; the opportunity cost of the supervisor's time, the cost of recruitment and on boarding, the loss of skills to undertake the duties that the apprentice performed.

On one view the low apprenticeship wage structure could be considered a false economy. But on the other hand, it has historically been a primary driver for employers to be involved in the system.

"Apprentice Champions" are excellently well placed to provide an evidence base for the range of factors that increase completions such as the sophistication of Human Resource on boarding support, positive workplace culture, promotional opportunities, brand recognition and above award payments.

Consideration should also be given to how employers foreground the value of this "earn while you learn" pathway as it is often a key reason why school leavers choose apprenticeships over a university pathway.[6]

The research findings could then be used to inform a conversation about how the model can be strengthened to improve the apprentice and trainee experience whilst at the same time improving the return on investment for employers through higher completions.

Top 5 reasons for not completing an apprenticeship or traineeship, 2019 (%)
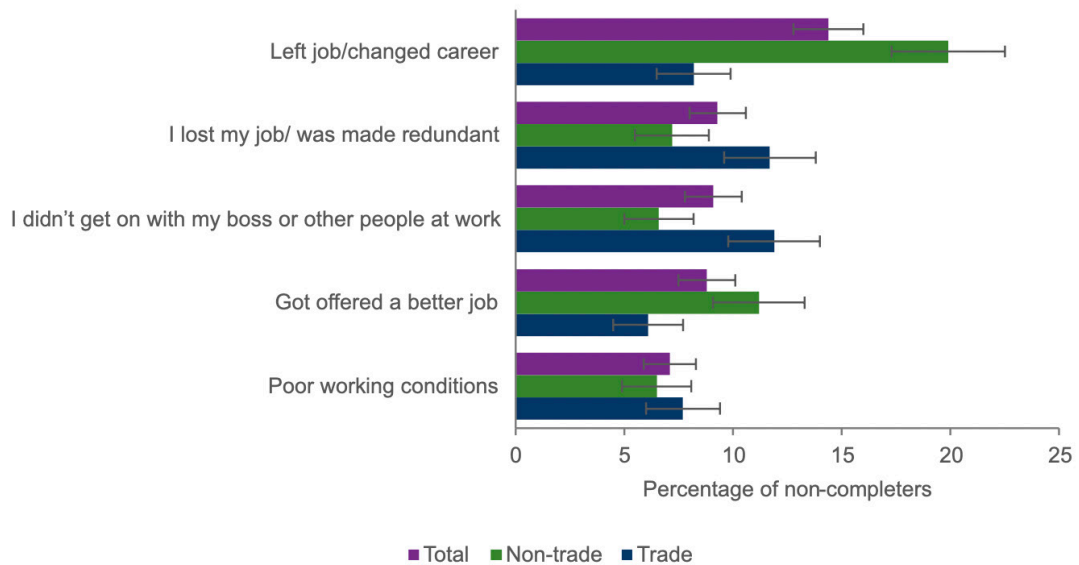
NCVER Issues in apprenticeships and traineeships - a research synthesis, 2021. P12

13. Streamline support payments - "Priority workforce" incentives

A new incentive regime for employers and apprentices - recognising employers' supervision load and shared non-completion risks.

The Boosting Apprenticeship Commencements (BAC) measure has been successful because it significantly shifted the value proposition for employers to be involved in the apprenticeship system and provided some economic certainty in volatile economic times.

In the short term the Association supports the Australian Chamber of Commerce and Industry (ACCI) position that BAC could be extended during the economic recovery period but with slightly lower and more targeted subsidy levels.

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6. Which have lower 4-year completion rates and typically do not incorporate paid work, even where an integrated work based learning model is used.

For the longer term the Association proposes a radically simplified incentive system that:

- Incorporates key learnings from the success of BAC
- Targets incentives during the period of highest risk of drop out
- Builds on the Association's value model for apprenticeship engagement
- Steps down overall incentive investment from the stimulus peak but ensures that no-one is worse off under the new arrangements

The model accentuates the important role employers play in supervising and coaching their apprentice. The model seeks to build on this key integrated work-based learning feature, highlight and support it.

For employers this means that many will be eligible for **Priority Workforce Wage Subsidy** paid whilst the apprentice or trainee remains employed.[7]

Many apprentices and trainees will be eligible for a **Priority Workforce Payment** to help ameliorate the low wage structure and keep earnings above the poverty line in the first and second years when most apprentices and trainees drop out.

The term "priority workforce" enables an incentive model that accounts for the Skills Priority List, locational factors and equity group inclusion. So other initiatives to update the attribution of skills shortage status can dovetail into the model seamlessly.

The model also preserves arrangements that efficiently meet a designated need, such as Living Away from Home Allowance.

The streamlining comes from being about to supersede the following programs with a single Priority Workforce Wage Subsidy:

- AAIS
- AAWS
- Mature Aged Worker
- Declared Drought Area
- Rural and Regional Skills Shortage
- SAAA

Initially the Priority Workforce Wage Subsidy would be delivered by the AASN teams established to administer the SAT and BAC measures. Over time as the Apprenticeship Data Management System (ADMS) becomes fully operational these payments could be triangulated with single touch payroll and automated.

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7. Up to the end of the third year of a trade apprenticeship when an apprentice is assumed to be able to work independently.

Proposed employer wage subsidy

The Association proposes the following employer wage subsidy model:

Band 1 - Standard Incentives, $1,500 paid at 3 months and $2,500 paid at 12 months

This would apply to employers:

- Offering apprenticeships in non - priority workforce areas
- GTOs employing trainees at Certificate II
- Part-time apprenticeships
- School based apprenticeships (3-month payment only)

Band 2 - Priority Workforce Wage Subsidy (PWWS), quarterly wage subsidy totalling $10,000 in year 1, $6,000 in year 2 and $4,000 in year 3, paid in addition to the Standard Incentive.

This would apply to employers:

- In occupations experiencing skill shortage
- In priority occupations
- In rural and remote areas
- In drought declared areas
- Employing nominated equity groups
- Employing mature workers

Eligibility would be based on a 3-way test of (i) on Skills Priority List (ii) location (iii) personal circumstances of groups targeted for greater inclusion. Any one of the three triggering the PWWS for the duration of employment of the apprentice or trainee.

Proposed payments to apprentices and trainees

We propose a Priority Workforce Payment to apprentices and trainees whose employer receives the PWWS. Initially this would be $2,000[8] paid at the 3 month and 15 month point as two $1,000 payments to support an apprentice or trainee through their first and second year when they are at highest risk of dropping out. This builds on the successful AISS payments made to eligible apprentices now.

This payment should be index linked to ensure that it always exceeds an amount greater than 51% of the median wage - the generally accepted definition of the poverty line in Australia.[9]
All other existing support arrangements such as Living Away from Home Allowance (LAFHA), Trade Support Loan (TSL), Disabled Australian Apprentice Wage Support (DAAWS) and Off-the-job Tutorial, Mentor and Interpreter Assistance, are proposed to remain unchanged. These are well established and well targeted.

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8. Preserving the current AAIS arrangements.
9. Currently single earnings of $460 per week.

14. Research, pilot and evaluate support service innovations

The Australian Apprenticeship Support Network is a mature market of seven providers. It has broad support across the jurisdictions and industry stakeholders because it has been refined to work effectively and is agile to policy change.

The competitive nature of the contract arrangements has facilitated innovation in the delivery of services and the technology used to underpin them. Providers are contracted on a jurisdictional basis with employers having a choice of providers in most instances . The advantages of this type of arrangement are:

- It facilitates positive and enduring relationships with employers. ANPs are trusted partners that work with employers for many years
- ANPs can explain how the system works and enable employers, candidates, and apprentices to navigate their entitlements and deliver on their requirements
- ANPs are gatekeepers of quality ensuring the provision of the contract are met, delivering government policies and co-designing ICT solutions with their technology partners
- ANPs promote the apprenticeship system to many schools, visit employers in their workplace and offer gateway services
- ANPs provide advice to resolve workplace issues, provide coaching and linkages to specialist supports
- ANPs also mentor around 40,000 apprentices and trainee a year helping to address complex barriers to completion as they emerge.

The Commonwealth is investing in a new apprenticeship data management system that will streamline some backend processes and automate some claims processing functions. It will complement but cannot replace the face-to-face services that are so highly valued by users of the system.

As new technology is implemented its vital that it is researched exhaustively to avoid unintended consequences, piloted to refine the approach, evaluated for effectiveness, and then introduced progressively.

This will facilitate continuous improvement without running the risk of service interruption or declining engagement. Because the Australian Apprenticeship system is both vital and complex the evolution of the system needs to be managed with care and sophistication.

Taking this approach and by implementing the recommendations in this paper governments will be able to:

- Maintain an optimal level of commencements, providing opportunities for young people and a skilled workforce for business
- Improve completion levels
- Improve the user experience, given the current aging technology and the federated complexity of the system
- Improve the learner journey, with a more flexible qualification structure at arms-length from current industrial relations constraints
- Support businesses with the new and higher-level skills they need as we emerge from Covid 19
- Align the VET reform agenda to ensure the mix of apprenticeship support services meet all the needs of employers their apprentices.