



Australian Government

# BUILDING AUSTRALIA'S FUTURE WORKFORCE

## Apprenticeship Reform

The *Building Australia's Future Workforce* package provides a \$3.02 billion investment over six years for a new approach to deliver the skilled workers the economy needs and ensure more Australians have the opportunity to share in the nation's prosperity. This is in addition to new funding of more than \$2 billion over the next four years for Australia's university sector.

The package has four components:

- Putting industry at the heart of the training system
- Skills to support increased participation
- Modernising apprenticeships
- Reforming the national training system

Australia is faced with growing skills shortages across many industries, which unless addressed will impact on the nation's productivity.

The Australian Apprenticeships system is an important pathway for skills formation to address these skills shortages, but requires improvement, particularly in retention and completion outcomes, to better meet Australia's skills needs.

In order to achieve the best outcomes from the Australian Apprenticeships system, the Australian Government commissioned an independent review of the Australian Apprenticeships system by an Expert Panel. *A Shared Responsibility – Apprenticeships for the 21st Century*, the final report by the Expert Panel, was publicly released in February 2011. The Report provides an opportunity to fundamentally rethink the Australian Apprenticeships system.

The Apprenticeship Reform package announced in this Budget is the Australian Government's initial direction setting response to the Expert Panel's recommendations. It has been informed by stakeholder consultation on the Report's recommendations.

### What is the Government doing?

This package will work to improve apprenticeship retention and completion rates through the \$101 million *Australian Apprenticeship Mentoring package* and the \$100 million *Accelerated Australian Apprenticeships package*, both of which respond to key recommendations of the Expert Panel.

### Australian Apprenticeship Mentoring package

The *Australian Apprenticeship Mentoring package* will deliver 144 advisors to guide apprentice candidates in choosing the right trade for them, and provide targeted mentoring and assistance that will help them successfully progress through their apprenticeship. Around 10 000 Australian Apprentices will be supported by about 330 mentors each year under this package. This support will be targeted at Apprentices in industries experiencing skills shortage and apprentices who may face additional barriers to participation and/or have high rates of attrition. The mentoring package will aim to improve retention, particularly in the first 12 months of an apprenticeship when apprentices are most at risk, and support the supply of skilled workers in areas in demand.

Key providers and peak industry groups well placed to deliver enhanced mentoring services will be offered the opportunity to access funds under the program in the second half of 2011.

### Accelerated Australian Apprenticeships

The *Accelerated Australian Apprenticeships package* will support the delivery of high quality, competency based vocational education and training, with a focus on Australian Apprenticeships. Initiatives will support Australian Apprentices to progress through their training as they demonstrate the required competencies, rather than on a time served basis, and will help to expedite the supply of qualified tradespeople to the workforce.

This builds on the Adult Apprenticeship project announced by the Government this year in response to the National Resource Sector Taskforce and opens

up greater opportunities for existing workers to make a career change into a trade where they have relevant work experience.

Industry Skills Councils and peak industry bodies will lead projects under this initiative, working in partnership with enterprises, training organisations and other stakeholders. It is anticipated that the first supported projects will be announced in the second half of 2011.

Proposals will have to demonstrate that the quality of the training and qualification will be maintained through a competency based approach.

A critical additional element of this initiative is the Australian Government's intention to actively contribute to Fair Work Australia's Review of Apprentice and Trainee wages and conditions. Both prior to and as part of this review the Government will work with industry stakeholders to promote the removal of impediments to competency based progression from existing awards and support the review of wages in light of the increasing proportion of adult trade apprentices.

In addition, a scoping study will be undertaken for a 'Building Australia's Future Workforce – Skills Builder' to scope the ability to develop an automated tool to assist individuals to make more informed choices about pathways, articulation through qualifications, potential career changes and their investment in education.

The *Building Australia's Future Workforce – Skills Builder* scoping study will be undertaken in 2011-12.

### **Ongoing Consultation**

This package is the Government's initial direction setting response to the Expert Panel's recommendations.

The Government substantive response to the Expert Panel's report will be announced later in 2011 following a comprehensive consultation process with stakeholders that will build on the public submission process conducted following the release of the Expert Panel's report.

### **Why is the Government doing it?**

Australian Government investment in training has produced outstanding results in recent years, with record numbers of Australians in traineeships and apprenticeships. However, the current Australian Apprenticeships system is still considered by many as underperforming, too inflexible and unnecessarily complex. Significant improvement is needed to achieve national consistency, quality, improved retention and completion and a greater contribution to increased productivity and innovation.

If Australia is to respond effectively to the challenges of competing in a global marketplace it must have an apprenticeship system that is delivering consistently high quality national outcomes, while being flexible enough to produce skilled workers now, and to meet future needs.

Completion rates for Australian Apprenticeships are unacceptably low (about 48 per cent) and more than three of every 10 new apprentices drop out in their first year. The Expert Panel noted that this represents a significant economic cost, given the time and resources provided for both on-the-job and off-the-job training. The initiatives in this package will directly address the primary reasons for non-completion, namely workplace or employer issues and lack of support.

These initiatives will reduce the number of apprenticeship starters who miss out on getting a valuable qualification and employment opportunities and reduce additional costs incurred by employers through high staff turnover.

The mentoring initiative will build on the lessons learned from the Kickstart Mentoring initiative and a number of existing industry-led mentoring initiatives such as those run by the Housing Industry Association and the Master Electricians Queensland.

As the economy continues to strengthen, skills shortages are likely to grow. For example, the Expert Panel noted a projected shortfall of 36 000 tradespeople in the resources sector by 2015.

Competency based progression is a crucial strategy for alleviating skills shortages as it has the potential to deliver fully qualified tradespeople into the workforce sooner. Recognising this, the Expert Panel recommended action to effectively implement competency based training and wage progression.

Submissions from industry stakeholders in response to the Expert Panel report show that competency based progression as a concept is strongly supported, but that further work is required in some industries and jurisdictions for competency based progression to be effective in practice.

Initiatives will support Australian Apprentices to progress through their training as they demonstrate the required competencies, rather than relying on a time served basis, and will help to expedite the supply of qualified tradespeople to the workforce.

### **What has the Government already done?**

The initiatives announced in this package build on the Government's demonstrable commitment to the Australian Apprenticeship system.

The Government has made a significant investment in incentives for both employers and apprentices. In 2006-07 Australian Government incentives totalled approximately \$600 million. In 2010-11 this had increased to approximately \$1 090 million.

At the height of the global recession, trade apprenticeship commencements declined by about 19 per cent. The Government's strategically targeted incentive programs like the Apprenticeship Kickstart Bonus and Bonus Extension have counteracted the impact of the global financial crisis. The enhanced

targeted investment has seen the number of apprentices in training grow from 410 000 in September 2006 to around 448 000 in September 2010, the highest level ever recorded.

The Australian Government has also applied targeted apprenticeship incentives as one means of supporting the Queensland recovery efforts following the recent floods and cyclone.

Since 1 January 2011, the Trades Apprentice Income Bonus, announced as part of the 2010-11 Mid-Year Fiscal Outlook, has been providing eligible Australian Apprentices with up to \$5 500 tax exempt bonus as they reach milestones in their training. This is an additional \$1 700 on payments that were already available to apprentices.

The Government has also invested in the development of apprenticeship pathways through schools and employment services.

This includes \$2.5 billion over 10 years to the Trade Training Centres in Schools Program to provide infrastructure to enable all secondary students to access vocational education through school. To date more than 70 new centres have been completed and commenced operation providing improved opportunities to many Australian school students and their communities.

In addition, the Government has committed to the introduction of the \$28.1 million National Trade Cadetships program. From 2012 Australian students from Year 9 will be offered a new National Trade Cadetship as an option under the Australian Curriculum. The scheme includes Foundation, Pre-apprenticeship and Work Experience streams to provide for greater consistency in the delivery of trade training in schools across Australia, and a clearly defined pathway through school and into a further study, work or a career in the trades. The work experience component of the scheme aims to ensure students are work ready when they graduate and have sound foundation skills and a structured workplace experience in their chosen trade.

In addition, the Government has increased funding for the Australian Apprenticeships Access Program to ensure the continuation of the current number of places and levels of service available. The Access Program provides a unique suite of tailored and individualised pre-vocational training, intensive job-search support and post placement support to vulnerable job seekers, including at-risk Year 12 and early school leavers, people with disability, Indigenous Australians and recipients of sole parenting payments. This mix of services is effective in preparing clients for an Apprenticeship.

All licensed trades persons will benefit from the work being undertaken by the Australian Government in close cooperation with all State and Territory Governments to

implement a National Occupational Licensing System. From July 2012 licensed trades persons, such as electricians and plumbers, who operate in multiple jurisdictions will no longer have to be licensed separately in each jurisdiction. This will significantly reduce the costs for tradespersons who operate in different states. It will also remove inconsistencies across state borders and allow for a more mobile workforce.

## Who will benefit?

Current and future Australian Apprentices, employers, industries seeking skilled workers and the Australian economy as a whole will benefit from these reforms and the further changes which will be announced later in 2011.

Through the Australian Government's expanded and redirected investment, key reforms to this critical skills development system, including many which have been directly suggested by the Expert Panel, will be implemented.

The *Australian Apprenticeship Mentoring package* will benefit a range of Australian Apprentices by helping them successfully progress through their apprenticeship. The initiative will particularly target:

- Australian Apprentices commencing in occupations in traditional trades and industries experiencing skills shortages;
- Australian Apprentices undertaking their Apprenticeship in a Small to Medium Enterprise; and
- Australian Apprentices facing additional barriers to participation, including Aboriginal and Torres Strait Islander Australians, individuals with disability, vulnerable youth, older workers and individuals from regional and remote areas.

*Accelerated Australian Apprenticeships* will be targeted to industries facing skills shortage, but will support the skills needs of industries across the economy.

Australian Apprentices who satisfactorily complete the required competencies earlier will benefit by obtaining their formal qualification sooner. Employers will benefit from the productivity gains realised through earlier completion of training.

Subject to the outcomes of the feasibility/scoping study, the *Building Australia's Future Workforce – Skills Builder* may benefit individuals by enabling them to create their own skills or learning record and gain clarity around the qualification they already have, the training pathways that are available to them and the progress they have made along that pathway to date.

## What funding is the Government committing to the initiative?

The *Australian Apprenticeship Mentoring package* includes:

- guidance for potential apprentices to choose the right pathway – \$21.5 million over two years; and
- mentoring for priority apprentices, particularly in their first year – \$79.9 million over four years, which includes the \$20 million mentoring commitment made in the election context.

The *Accelerated Australian Apprenticeships package* includes:

- the *Support for Accelerated Australian Apprenticeships* – \$99.25 million over four years, plus industry co- investment. This element incorporates funds previously allocated to the Smarter Apprenticeship program;
- the *Building Australia's Future Workforce* – Skills Builder scoping study - \$0.75 million in 2011-12.

These apprenticeship reform measures will be partially supported by funding redirected from changes to the current Australian Apprenticeships Incentives Program.

From Budget night access to the standard commencement incentive and the Group Training Organisations completion incentive for Certificate II level qualifications will be only be available for Australian Apprenticeships provided to priority groups such as Indigenous Australians, apprentices with disability, school-based apprentices, the mature aged. This change acknowledges that the Certificate II qualification stream is a valuable pathway for many disadvantaged Australians and is consistent with the Expert Panel's recommendation to better target the subsidies made available under this program.

### For more information:

Visit [www.skills.gov.au](http://www.skills.gov.au) or [www.deewr.gov.au/budget](http://www.deewr.gov.au/budget) or call 1300 363 079. People looking for information on Apprenticeships or payments such as ABSTUDY, Austudy or Youth Allowance should call 133633.

### Australian Apprenticeships Mentoring package

A business man operates a small building and construction business. He is struggling to keep his apprentices beyond their first year as they seem to have a poor understanding of the industry and of typical working conditions before they start their apprenticeship.

This comes at a big cost to this man's business as he invests time, money, resources and effort.

He has heard about the new Apprenticeship Advisors who will support potential apprentices to choose the right trade for them, and that there will also be mentoring and assistance for Australian Apprentices to help them successfully progress through their apprenticeship.

This is great news for this businessman, who is now more confident he will get an Australian Apprentice who has a sound understanding of what to expect in a trade apprenticeship, and will receive extra support from a mentor who helps them stick with their training.

### Australian Apprentice Perspective

A hairdressing apprentice has only recently started her apprenticeship but is having trouble with her employer, one of only a few hairdressing salons in her regional community. As far as she can see, there is no one to turn to for help or advice to assist in handling the situation. She is starting to think that there is no option but to quit her apprenticeship and try something else. However, under the Australian Government's new Australian Apprenticeships Mentoring package, this apprentice has just been assigned a mentor to provide her with support to help her successfully progress through her apprenticeship. In particular, her mentor will support her in a way that is focussed on maintaining a positive relationship with her employer. With guidance and advice from her mentor, this future hairdresser will resolve the issues with her employer and get on with her training.

### Accelerated Australian Apprenticeships

A married couple operate a plumbing business but are struggling to find enough qualified, licensed tradespeople to work across the company's many sites.

A number of their competitors find themselves in similar situations. They worry things will only get worse as the economy continues to improve.

This couple, and a number of the other plumbers, recently met with their Industry Skills Council (ISC) to discuss the difficulties they face.

The ISC tells them and their colleagues that under the *Accelerated Australian Apprenticeships* package, just announced by the Australian Government, the ISC can work in partnership with training organisations and employers like them to put in place competency-based training arrangements to produce qualified tradespeople in a shorter period to meet skills needs.

Through this partnership, barriers to apprentices completing their on-the-job and off-the-job training more swiftly will be removed, meaning apprentices can complete their training sooner while still doing top quality training.

The initiative will also support new apprenticeship models that focus on the recognition of existing skills and experience to help get people through their apprenticeship.

The Accelerated Australian Apprenticeships package will help the plumbing industry to better meet its skills needs.