



**Apprentice
Employment Network
WESTERN AUSTRALIA**

Restoring and Reinvigorating the
Apprenticeship Sector

February 2021

The Apprentice Employment Network WA (AEN WA) is the peak association representing 18 member Group Training Organisations operating in Western Australia. It was incorporated in 1993 and is a not-for-profit registered charity.

AEN WA members are located throughout metropolitan and regional Western Australia and deliver apprenticeships and traineeships within a wide range of industries.

The network provides a range of services and conducts a number of activities as part of their strategic plan to enhance the effectiveness of member Group Training Organisations.

It also forms part of a national network of group training associations that are supported by the National Apprentice Employment Network.

Executive Summary

The Western Australian state election on 13 March 2021 will be an opportunity to explore policies that will help support the apprenticeship sector as it recovers from one of the most challenging periods in generations.

Across Australia, the numbers of apprentices and trainees collapsed at the height of the COVID-induced recession, and numbers have only just begun to recover.

The group training network felt the full brunt of the decline, with hundreds of apprentices and trainees in Western Australia being handed back by host businesses. Group training Organisations (GTO) maintained apprentices and trainees, paid their wages and entitlements and have placed almost all back into work.

However, the longer term impacts of the economic decline are yet to play out. For the apprenticeship sector to remain strong and serve as a generator of skilled employment, there will need to be strong government intervention and support.

AEN WA is calling on the major political parties at the state election to commit to policies and programs that will support the apprenticeship sector and specifically recognise the work of group training during the pandemic and its place in helping to rebuild businesses and skilled employment during the recovery.

AEN WA proposes three key policies to assist group training and the thousands of apprentices and trainees they support:

- **Increase funding for the Western Australian Group Training Program, recognising the unique work of GTOs with state government priority groups**
- **Provide funding to support GTO employment of mature aged apprentices and trainees**
- **Help to refine insolvency legislation so that GTOs are recognised as secured creditors**

Addressing declining apprenticeship numbers

The COVID-19 pandemic that hit Australia in 2020 sparked the sharpest economic downturn since the 1930s and, for the apprenticeship sector, its gravest crisis in decades.

Thousands of apprentices and trainees around Australia were laid off when businesses were forced to close or scale back due to lockdowns.

Nationally, apprentice and trainee numbers were already in decline ahead of the pandemic, so the impact of COVID was brutal and swift.

It meant that in addition to the thousands of apprentices and trainees that had their contracts of training cancelled or suspended, there was also a rapid drop in new commencements, as those aspiring to an apprenticeship sought other options.

The group training sector, which directly employs apprentices and trainees and places them with host businesses, also felt the full impact of the COVID induced recession.

Ahead of the Western Australian state election on 13 March 2021, AEN WA proposes a number of measures to help revitalise apprenticeships and traineeships, and put the sector back on a footing that will deliver skills, jobs and rewarding careers.

A unique place for group training

Group Training Organisations (GTO) came into existence in Australia in the 1980s, with the specific objective of providing apprentice and trainee employment and skills development for mainly young people.

A distinctive feature of group training is that the apprentice or trainee can be returned by the host employer to the GTO if, for example, work dries up, or the need arises for more diverse or different training or workplace experience.

In effect, group training provides a safety net to employers who may be uncertain about their work flow, or feel they do not have the experience or resources to commit to an apprentice or trainee. Many of these are small businesses that engage a GTO to oversee the selection, placement and oversight of the apprentice or trainee, including mentoring and support, paying wages and entitlements and handling all the administration.

Since its birth in Australia in the 1980s, the group training sector has engaged more than a million apprentices and trainees, through hundreds of thousands of host employers, in every part of Australia, across traditional trades and new and emerging industries.

These largely not-for profit GTOs take particular pride in the dedication and support that is provided to apprentices and trainees; firstly, placing them where there is a real job, and taking every possible step to give them the best chance of completing their apprenticeship or traineeship.

But GTOs felt the full force of the COVID shock, as host employers were forced to shut their doors and return apprentices and trainees to GTOs.

With business activity suspended, thousands of apprentices and trainees were effectively sustained in the group training network until conditions improved and they could return to work.

In Western Australia, among member GTOs, more than one hundred apprentices and trainees were either suspended or had their training contracts cancelled. These member GTOs also took care of more than 700 apprentices and trainees who were handed back by host employers and kept on with full wages and entitlements paid by GTOs, in anticipation of being re-engaged once conditions improved.

Government support payments including JobKeeper played a major part in helping many apprentices and trainees to maintain a link to their employment, and where possible, continue with their training at TAFE or a private Registered Training Organisation (RTO).

What is needed from here?

One of the encouraging features of recent months has been the recovery in economic activity in many sectors, and the ability of businesses to resume, notwithstanding lapses into lockdown as new COVID-19 cases have emerged.

Western Australia's relatively tighter border controls have spared the state some of the worst impacts experienced in the eastern states, although the most recent sharp lockdown in early February highlights the vulnerability of even the best managed COVID-19 jurisdictions.

Even on the best possible outlook, assuming success with COVID-19 vaccination, it will be some time before economic and business conditions fully recover, most particularly in sectors such as hospitality and tourism which continue to bear the brunt of sporadic shutdowns and border restrictions affecting the movement of people, including tourists.

The longer-term outlook will depend not only on normal levels of activity resuming, but on generating a pipeline of aspiring apprentices and trainees who are motivated to enter trade and non-trade occupations. This is important for the wellbeing of school leavers and others, and vital for the skills needs of the state.

A worst outcome would see apprentice commencements remain depressed, leading to severe skills shortages when the economic cycle picks up.

It is for this reason that we believe that the restoration and revitalisation of the apprenticeship sector is critical as we move out of the worst of the business downturn, and as we look to longer term recovery.

Recognition of skills development

State governments in Western Australia have long recognised the importance of the group training sector – for the key part it plays in skills formation, and for the valuable contribution it makes to individual welfare and prosperity, and as a path to fulfilling jobs and careers.

AEN WA remains appreciative of the efforts of governments – Commonwealth and State – in recognising the impact of the pandemic on apprenticeships, and committing considerable resources to support them. This has made a real difference.

In particular, the Commonwealth's *Supporting Apprentices and Trainees* program provides a 50 per cent wage subsidy to small and medium sized businesses for wages paid from 1 July 2020 to 31 March 2021. The subsidy is also available to new employers who re-engage apprentices that were displaced by an eligible small or medium sized business.

To encourage commencements, the Commonwealth's *Boosting Apprenticeship Commencements* program provides a 50 per cent wage subsidy to businesses that engage an apprentice or trainee, from 5 October 2020, up to a cap of 100,000 places across Australia. However, this program will reach its 100,000 places well before September so extending this should be a consideration.

These Commonwealth measures are helping to support apprentices and trainees during this challenging period.

At the State level, the Jobs and Skills WA Employer Incentive provides financial assistance to Western Australian businesses that employ an apprentice or new entrant trainee.

For apprentices and trainees that have been terminated or had their contracts of training cancelled, the Apprenticeship and Traineeship Reengagement Incentive provides a financial incentive for re-engagement, while the Out of Contract Register provides a list of eligible apprentices and trainees, and is available to potential employers including GTOs.

What's been promised so far

In the lead up to the state election on 13 March 2021, both major parties have made important commitments to the VET sector, including to apprenticeships.

Labor, if re-elected, will introduce a \$3.4 million pilot program to provide 150 places for mature age apprentices and trainees in the building and construction industry. It will see 100 places allocated to GTOs and 50 to direct employment, with a minimum 15 per cent for female and Indigenous apprentices.

The McGowan government has also promised \$5.2 million to assist 200 additional mature age apprentices by funding the 'gap' in total wage costs between junior apprentices and those aged above 21 years. It will cover a range of mature aged apprenticeships, such as boilermakers, welders, chefs, refrigeration mechanics, hairdressers, cabinet makers and diesel motor mechanics. The program will run for two years, with 100 places in 2021-22, and 100 in 2022-23. It will apply to both three and four-year apprenticeships.

The Liberals will provide a new two-year incentive and retention payment to encourage businesses in the state to employ up to 20,000 apprentices, worth \$200 million. The incentive will be up to \$10,000 for taking on a new apprentice and up to \$5000 for a new

trainee. This will be over and above existing incentives and will take the total payments available for hiring a new apprentice to up to \$18,500 and a new trainee up to \$9250. In addition, there will be a \$1000 Apprentice Tool Bonus.

One of the concerns over the longer term, surrounds the effect of the COVID-19 disruption on apprentice employment, training and career development. Many apprentices and trainees have had several months away from work and training and were effectively disconnected from the work environment at an important time in their fledgling careers.

Others who might have considered an apprenticeship or traineeship have seen those plans dashed and may have moved on to other options.

When viewed in the context of subdued apprentice commencements prior to the onset of COVID-19, there are concerns about a possible structural decline in the apprenticeship sector.

The appeal of apprenticeships and skilled trades

Much has been written in recent years about the decline in the appeal of apprenticeships for many school leavers and others who cite the relative attraction of university choices ahead of skilled trades.

Less discussed, but arguably as important in understanding the apprenticeship pathway is what has been described at the “apprentice hunger games” – the significant challenge and the “wall of inequality” that can face a young person embarking on an apprenticeship option.

This was enunciated by Nick Klomp, the vice-chancellor of CQUniversity in Queensland, a dual sector university that includes VET courses and apprenticeships. Writing in *The Australian* in July 2019, he contrasts the disparate outlook faced by two unidentified recent Year 12 graduates – “Pete”, who chooses university, and “Rebecca”, who prefers an apprenticeship.

Pete enrolls in a bachelor of engineering degree, is accepted, and can start studying in a guaranteed spot within weeks. Should Pete need it, fully funded programs exist to give him confidence and academic prepared-ness from even before his first class, right through to graduation. As an Australian citizen, Pete is entitled to what is known as “the best loan you’ll ever receive” — a low interest HELP loan with generous income-threshold repayments.

...The system expects Rebecca, as a 17-year-old, to scour her chosen industry for a potential employer, then negotiate the terms of her employment and training package with senior management. She has zero room for error here; if Rebecca doesn’t nail this step, someone else will get her spot. If Rebecca isn’t quite prepared for the transition from school to apprenticeship, then there aren’t the funded support mechanisms in place — at least not anything like that available to Pete. There is no student loan available to Rebecca unless her apprenticeship is geared at the diploma

level or higher; and even if she is eligible Rebecca faces an upfront loan administrative fee (that is, tax), from which Pete is exempt.

Klomp concludes that “luck” is arguably the major factor in determining whether Rebecca’s journey through the apprenticeship pathway is successful, whereas Pete has to worry only about his own merit.

The scenario that Klomp outlines is one that may be familiar to some who have experience in the apprenticeship sector, but it is precisely the one that the group training network aims to address.

Group training is the intermediary that assists with recruitment, placement, mentoring and support – helping with the training contract between the apprentice/trainee, the employer and the training provider – not leaving it to “luck”, as can often happen with direct employment. The mentoring, or pastoral care, is something unique to group training which sets it apart from other apprentice employment models.

GTOs ensure that any issues or concerns that arise during the apprenticeship or traineeship, either with the employer or the apprentice/trainee are addressed by GTO field officers whose job it is to carefully monitor and oversee the relationship through to completion.

It is this attention, focus and dedication to the ongoing apprentice/trainee engagement and skill development that is the “value add” of group training – the pastoral care that makes the difference between group training and direct employment.

This added value provided by group training is not always recognised by governments and agencies in funding decisions. Indeed, it can be largely invisible to all but those who are engaged in, or engaged with group training, such as host employers, the apprentices and trainees, and of course the GTOs who see it daily.

Understanding why group training works

There are countless stories across generations in group training of the extraordinary efforts of field officers and others who have gone out of their way to give apprentices and trainees the best chance to succeed – picking them up from home, driving them to work when there was a family crisis, ensuring uniforms and safety equipment are available, meeting families to help work through difficulties, and working with host employers to fix problems that could otherwise end the apprenticeship.

This added value that is contributed by GTOs is tangible, but not always easy to value.

It was recognised in a September 2019 report by the [National Centre for Vocational Education Research \(NCVER\)](#). It found that GTOs achieve “substantially higher” completion rates of apprentices and trainees than direct employers in small and medium sized businesses. It also said the profile of GTO apprentices and trainees includes a higher proportion of disadvantaged or “high risk” cohorts – they are younger, more likely to be in the trades, more likely to be new rather than existing workers, and more likely to be Indigenous.

All these factors – the higher completions, the higher risk cohorts, the unique and intense mentoring and support, and the links with industry, schools and employers built over decades – make a strong case for valuing and funding the work of group training appropriately.

AEN WA believes that in the critical post-COVID period of rebuilding and reconstruction, there is the opportunity for government to harness the expertise and reach of the group training sector to assist in this recovery.

With its footprint in every part of the state – metro, regional and remote – and covering virtually every traditional and emerging skills, group training stands ready to support government in the vitally important task of economic recovery.

Group training was established some 30 years ago precisely to provide a cushion for apprentices in times of economic difficulty. Its capacity to sustain and rebuild the apprenticeship sector can again be utilised, through its links with employers and communities, and its proven strategies for commencements, retention, rotations and completions.

Policy Recommendations

AEN WA sets out below a number of key recommendations which it believes can help to revitalise the apprenticeship sector in Western Australia by increasing commencements, strengthening support throughout the training contract, and improving the chance of completing.

1. Increase funding for the Western Australian Group Training Program, recognising the unique work of GTOs with state government priority groups

The Western Australian Group Training Program (WAGTP) was established by the State Government in 2015, effectively as a replacement source of funding for GTOs following the cessation of the Joint Group Training Program which provided matched funding from the Commonwealth and state governments.

The WAGTP maintains a commitment to Aboriginal people, at risk students, people with disability and school-based and remote area apprentices and trainees.

Over its near-six years of operation, funding under WAGTP has not increased, sitting at approximately \$3 million per year. Meanwhile, the cost of employing apprentices and trainees increases year-on-year with inflation and with annual increases in award wage rates.

AEN WA urges all parties to commit to an annual increase in this funding at least in line with inflation and a one-off increase of 10 per cent in 2021/2022, recognising the increased cost of training and the critical role GTOs play in employing the state government's priority groups.

2. Provide funding to support GTO employment of mature aged apprentices and trainees

One of the features of the COVID recession has been the number of older workers attracted to an apprenticeship as a result of being displaced from work, or who are looking to learn new and more sustainable skills.

Unfortunately, for many years, adult apprentices have faced a significant hurdle, since they attract adult wages, posing an economic challenge for many employers. Even though adult apprentices generally have a good attitude to work and learning, and broader skills and experience, the adult wage premium places them at a disadvantage to younger apprentices.

AEN WA welcomes the Government's recent commitment that if re-elected, it will fund the "gap" in total wage costs between mature age and junior apprentices for 200 additional apprentices in areas such as boilermakers, welders, chefs, refrigeration mechanics, hairdressers, cabinet makers and diesel motor vehicles. The cost of this commitment is \$5.2 million.

AEN WA also welcomed the announcement of a pilot program to help take on mature-age apprentices and trainees in the building and construction industry through financial support to help offset higher wage costs.

AEN WA believes this is a constructive first step that will alleviate the financial disadvantage faced by adult apprentices and calls on all major parties to follow suit and extend the program beyond the pilot stage. AEN WA calls on the major political parties to support such measures.

3. Help to refine insolvency legislation so that GTOs are recognised as secured creditors

For more than a decade the group training sector has been pursuing protection from the impact of bankruptcy or insolvency by host employers.

If a host employer is declared bankrupt (as a sole trader) or insolvent (as a company), the highest priority creditor is the Australian Taxation Office (ATO), followed by salary and wages, although these may rank equally. All other creditors are treated as "unsecured" unless there are specific legal relationships determining priorities.

The money owing to a GTO – in effect, the recovery of wages already paid to apprentices – has no ranking other than as an unsecured creditor.

In recent years, more than \$1 million in losses have been suffered by GTOs across Australia as a result of host employer bankruptcy or insolvency.

The majority of GTOs in WA are not-for-profit charities that operate on very thin margins. The failure of one host employer can cost a GTO its entire surplus for a year – money that would have otherwise been used to support the GTO's business operation and provide employment for additional apprentices and trainees.

While this issue is largely a Commonwealth one, AEN WA calls on state elected representatives to lend urgent support for reforms that would see company insolvency and bankruptcy legislation amended to ensure that the component of the GTO invoice that represents recovery of wages is treated as a “secured creditor” and ranked equally with other such payments.