



National Apprenticeship
Employment Network

2019-20 PRE-BUDGET SUBMISSION

February 2019

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WHO WE ARE



National Apprentice Employment Network

The National Apprentice Employment Network (NAEN) is Australia's largest employer network of apprentices and trainees.

Across metropolitan, rural, regional and remote Australia, the network employs some 25,000 apprentices and trainees in a diverse range of industries.

The employer network is unique, as it represents the practice of Group Training under which Group Training Organisations (GTOs) directly employ apprentices and trainees and place them with host businesses.

Under this arrangement, GTOs are responsible for selecting and recruiting apprentices and trainees, matching them to host businesses, meeting all employer obligations including paying wages and entitlements, arranging formal training and assessment, and providing pastoral care and support throughout the engagement.

Importantly, apprentices and trainees may be rotated across host businesses when, for example, work has finished with one host, or new skills are needed by the apprentice or trainee. This agile response to managing apprenticeships and traineeships provides continuity and quality of training and assessment, and provides the flexibility that is increasingly demanded by industry.

Predominantly not-for-profit GTOs have been undertaking this skills development and job generating role for some 40 years, equipping an estimated one million apprentices and trainees with vital employment skills. GTOs also work with tens of thousands of largely micro, small and medium sized businesses, many of which would not be in a position to directly employ an apprentice or trainee without the support of Group Training.

While some GTOs specialise in particular industries, such as the traditional trades or hospitality, others cater to entire regions and cover a range of industries.

GTOs have come to occupy a pivotal role in many communities through their links with enterprises, training providers and schools, as well as in Indigenous and remote communities where they play a central role in careers and training.

GTOs provide a safeguard to all the parties to a training contract, so that apprentices and trainees, host businesses, and Registered Training Organisations (RTOs) meet their workplace and training obligations with good intent and under proper guidance.

BUDGET OVERVIEW

The 2019 federal Budget provides an opportunity to address a number of structural weaknesses in the current arrangements governing Australian Apprenticeships, at the same time as providing a stimulus to their take up.

The number of apprenticeships and traineeships has been in decline for a number of years.

The reasons for this are manifold but include reduced total government funding for vocational education and training (VET), changes and cuts to employer incentives, the VET FEE-HELP scandal, the lifting of caps on university enrolments and the subsequent surge in school leavers choosing this pathway, perception issues around VET, and a general diminishing in the once-cherished place of apprenticeships in national skills formation.

NAEN has addressed many of these issues in its submission to the Expert Review of Australia's Vocational Education and Training System being undertaken by the Hon Stephen Joyce.

While NAEN's submission to the VET Review and the findings of that exercise are aimed at longer term, systemic issues in the VET system, we believe that the 2019-20 Budget provides an opportunity to commence the process of reform and, importantly, give an immediate confidence boost and stimulus to the take up of apprenticeships.

NAEN BUDGET PROPOSALS

NAEN has proposed a number of measures which, if implemented, would provide an impetus to the uptake of apprentices and trainees, lift confidence in the group training sector, and stimulate employer engagement in skills development.

Our Budget proposals comprise:

- Small Business 'First Apprentice' Program
- Trade Apprenticeship Career Transition into Community for ADF Personnel
- Indigenous Apprentice Employment Project
- Support for Adult Australian Apprentice Incentives
- Protection for GTOs from host businesses bankruptcy
- Increased pre-apprenticeship programs for GTOs
- GTO National Standards Incentives

SMALL BUSINESS 'FIRST APPRENTICE' PROGRAM

NAEN recommends the adoption of a small business 'First Apprentice' program which would encourage and support small businesses to provide host employment for their first apprentice or trainee through a group training arrangement.

A Group Training Organisation (GTO) would legally employ the apprentice or trainee and provide recruitment services and pastoral care in the first year to encourage retention and completion of their full qualification.

HOW IT WOULD WORK

The Commonwealth could provide targeted funding to GTOs to subsidise the employment cost of the apprentice or trainee in their first year for an eligible small business host (one who has not directly employed or host-employed a trainee or apprentice previously).

Small businesses typically face a number of challenges when they take on a trainee or apprentice for the first time, particularly if they directly employ the trainee or apprentice without the safety net and support of group training. This is a significant deterrent to many small business operators.

Many small businesses operate without HR expertise, and can experience a substantial drain on their time and resources when managing and supporting apprentices and trainees on their worksite. Common challenges include selection of the right candidate, complicated engagement and sign up processes, arranging appropriate formal training and taking care of all of the human resource responsibilities, such as workplace health and safety and proper industrial arrangements.

The early experiences of apprentices, trainees and employers can heavily influence the success of a training and employment outcome. A negative experience often leads to hesitation in further engagements, which ends possible future employment opportunities.

Similarly, an apprentice or trainee with an unsatisfactory early experience may not complete and withdraw with a poor impression of the traineeship and apprenticeship pathway.

The group training network has more than three decades of experience in placing apprentices and trainees with small and medium sized employers. As recommended by the NSW Business Chamber in their Laying the Foundations Report (2016)¹, GTOs provide the perfect vehicle for supporting employers and building employer capacity.

GTOs operate across metropolitan regional and rural Australia in a wide range of industries including traditional trades and in Indigenous communities. Using the group training network removes much of the risk associated with a 'first apprentice' experience for both the apprentice and the host business and maximises the chances of success and completion in small business.

https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/POL-2342-Laying-the-foundations-report_final_1.pdf



The 'First Apprentice' program would leverage the nationwide group training network to support small businesses to provide host employment for their first apprentice or trainee, thus providing the best chance of success for host businesses and their apprentice or trainee.

TRADE APPRENTICESHIP CAREER TRANSITION INTO COMMUNITY (TACTIC) FOR ADF PERSONNEL

BACKGROUND

In March 2017 NAEN, in conjunction with the TAFE Directors Association (TDA), held an ADF Skills and Apprenticeship Forum in Canberra to explore the process of transition for ex-defence personnel into civilian employment. The forum looked at the step-by-step transition process and the options and support available post-engagement with ADF.

Speakers included then Minister for Veterans Affairs and Minister for Defence Personnel, Hon. Dan Tehan, then Assistant Minister for Vocational Education and Skills, Hon. Karen Andrews, and Shadow Minister for Defence Richard Marles.

The forum also heard from a range of stakeholders in the sector including the Defence Community Organisation; defence industry contractors; ex-defence personnel who have transitioned to employment, GTOs with experience in mid-career transitions and skills recognition, and the Australian Industry Group Defence Council.

There was broad recognition that the skills typically gained in military service – flexibility, discipline, leadership, dependability, integrity, teamwork, and access to latest technology – are all extremely valuable to employers.

Yet, many employers do not fully comprehend this breadth of skills and attributes, while defence rankings don't easily translate into civilian workplace hierarchies – something being addressed in a comprehensive mapping program by the NSW Government Veterans Employment Program.

OUTLINE

The program would provide a clear pathway for transition between defence service and trade apprenticeship pathways through a supported process at every stage.

Individuals participating in the program would be provided with the holistic support to ensure they transition into sustainable civilian employment post-service, obtaining a nationally recognised qualification and on-the-job training and experience. In many cases there will be the opportunity to consider starting their own trade-based business at the conclusion of their apprenticeship should they wish.

The existing pastoral care and mentoring skills of GTOs, comprising of wrap-around services such as mental health support, drug and alcohol support, licensing and training referrals, industry knowledge and regulation management, will provide benefits to individual participants in their transition to civilian life, far beyond just their employment needs.

The project would entail a comprehensive approach, addressing a range of aspects from skills recognition and promotion of apprenticeship pathways, to specific employment and training, including:

- Veterans wage top-up employment incentive for up to two years;
- A GTO delivered veteran-specific mentoring program (including head mentor resource development through NAEN);
- Upfront training component through an accredited registered training organisation (TAFE or RTO affiliated with a relevant GTO) designed to fast-track in to the apprenticeship;

- Upfront employment through an apprenticeship training contract with a registered GTO;
- Skills assessment, mapping and recognition for personnel at the conclusion of their defence service, including development of a training plan aligned to new career pathway;
- GTOs providing guidance on post-defence employment transitions to personnel delivering advice to transitioning personnel.

This project proposal has been favourably received in our preliminary discussions with stakeholders.

NAEN will fully support the program through its member network and would provide:

- Oversight and engagement with the group training network, spanning the country;
- Management support of a head mentor;
- Management and coordination of attendance at transition seminars;
- Consistent defence-specific mentoring support and training to the group training network;
- Access to employers and advice around the benefits of engaging ex-defence personnel;
- Oversight, management and reporting of wage subsidies;
- End-to-end support of employed veterans on an apprenticeship pathway; and
- Overall project management and comprehensive reporting back to relevant stakeholders.



The TACTIC program would establish a dedicated pathway into civilian employment for ex-ADF personnel who would have their skills and qualifications recognised, thus easing the burden of transition for veterans while capitalising on the nation's investment in skills development.

INDIGENOUS APPRENTICE EMPLOYMENT PROJECT

This is a proposal for a government program that encourages and supports businesses to target Indigenous apprentice employment as part of their workforce planning. Through a GTO, support would be provided to the host business and apprentice for the lifetime of the placement.

Wrap around services such as training sessions, an online community of practice, a resource hub, and central support for GTOs and host businesses would be provided through NAEN.

HOW IT WOULD WORK

In 2019, NAEN will launch its strategy, the Indigenous Apprentice Employment Network. This builds on the work done by the network over the years, and will bolster the opportunities for Indigenous job seekers to engage with apprenticeship and traineeship opportunities.

NAEN engages with the Department of Prime Minister and Cabinet to fund the placement of individuals in to employment. In order to maximise these placements and ensure the roll-out of the Skilling Australians Fund is harnessed to directly support more Indigenous apprentice completions, NAEN proposes a support program to provide additional placement services.

FUNDING

Following recruitment of approximately 2,000 Indigenous workers in the three-year period starting March 2019, NAEN would propose a Commonwealth contribution to the costs associated with providing post-placement mentoring.

It would entail the development and adoption of a Reconciliation Action Plan, including an indigenous apprentice advisory group.

NAEN would establish a web portal specific to Indigenous employment, accessible not only to GTOs but the 10,000 host businesses they are working with.

There would be a series of workshops delivered nationally to GTOs and interested host businesses with the aim of:

- Increasing Indigenous employment;
- Maximising opportunities for professional development for Indigenous professional staff within the GTO;
- Cultural awareness training.

NETWORK-WIDE SUPPORT

NAEN has managed a number of Indigenous employment projects and initiatives across the past decade, with this resulting in the network now employing roughly one-in-five Indigenous trainees and apprentices and approximately one-in-four Indigenous School-Based trainees and apprentices – with clear indications that market share of Indigenous employment is increasing.

NAEN is keen for the network to make an even greater contribution addressing Indigenous disparity in employment and is planning a number of activities to grow the network's capacity to increasingly prioritise Indigenous employment.



The plan would firmly address a key area of Indigenous disadvantage by providing targeted employment and training, linked to the existing GTO membership base and thousands of host businesses across Australia.

SUPPORT FOR ADULT AUSTRALIAN APPRENTICE INCENTIVES

Under existing arrangements, employer support incentives for engaging adult apprentices are limited to apprentices aged 25 years or over.

The federal government announced last November the expansion of the Support for Adult Australian Apprentice (SAAA) scheme to apply to apprentices aged from 21 years, to apply from next July, with eligible employers to receive a one-off payment of \$4,000.

While the proposed expansion of the scheme is welcome, it does not go far enough in filling the large gap between junior and adult apprentice rates of pay in many industries.

The experience of GTOs shows that in some cases, the difference between junior and adult rates of apprentice pay, based on modern awards over a four-year apprenticeship can be as high as \$37,000.

There is a significant structural impediment to engaging adult apprentices, which does not serve industry or prospective apprentices. While many aspiring mature age apprentices will have additional skills and attributes, the wage differential presents a large financial hurdle, which many host businesses are not be prepared to pay.

GTOs that employ adult apprentices frequently attest to their maturity and competency compared to junior apprentices and would like to engage more, but point to the barriers they come up against with host businesses, particularly in regional areas.

In a dynamic labour market and with shifting skills profiles, we are seeing many more young people who are moving trades, learning new skills and embarking on career shifts later in life or perhaps after a 'false start'.

NAEN urges consideration of measures that can help address the significant disparity in wage costs to employers of adult apprentices, which is hindering an important avenue of skills development.

PROTECTION FOR GROUP TRAINING FROM HOST BUSINESSES BANKRUPTCY

BACKGROUND

The issue of preferred creditor status in bankruptcy is one which causes great concern across the group training network.

Typically, a GTO pays the wages of its apprentices and trainees as well as other entitlements such as superannuation and PAYG, and invoices these to the host business.

When a host business declares bankruptcy, the money owing to the GTO has no ranking other than as an unsecured creditor.

Over the last few years, more than \$1m has been lost by member GTOs across all states and territories as a result of bad debts and bankruptcy by host businesses.

GTOs are largely not-for-profit entities that have suffered because the wages of apprentices and trainees which GTOs have paid are not treated in the usual way as 'wages' in the event of bankruptcy by a host business. Instead, the money owing to the GTO is lumped in with all other unsecured creditors.

Some larger GTOs have the financial capacity to withstand such adverse events. However, for smaller GTOs, including many in regional and rural areas, the liquidation of a host business can be a catastrophe, taking it to the brink of collapse and threatening the future of its apprentices and trainees.

The intent of the claw-back provisions in bankruptcy is to prevent the pre-bankruptcy disposal of assets, especially where they are not done in good faith. However, GTOs have been deemed liable for returning to the bankruptcy trustee the proceeds of apprentice labour, supplied in good faith to a host business that showed no signs of financial trouble.

These incidents highlight what we consider a substantial anomaly in the current legislation which threatens the viability of a sector recognised for the contribution it makes to national skills development. It demonstrates the risks faced by GTOs, and why NAEN has argued that the component of the GTO invoice that represents recovery of apprentice wages should be given preferred creditor status and ranked equally with other such payments.

In the event of a GTO being subject to claw-back, this also has flow-on affects to other apprentices and trainees employed by the GTO, also putting their employment at risk (i.e. it is not just the apprentices/trainees with the bankrupt host business that are affected).

GTOs are a guarantee for apprentices and trainees that their entitlements will be paid, yet the claw-back provisions undermine this.



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GTOs that have acted in good faith in supplying apprentices and trainees to some host businesses have been deemed liable for significant losses where a host business has become bankrupt, threatening the viability of some smaller GTOs and the future of their apprentice employment operations.

INCREASED PRE-APPRENTICESHIP PROGRAMS FOR GROUP TRAINING

GTOs understand the importance of pre-apprenticeship programs to ensure that a young person is well prepared to commit an apprenticeship that will establish their career as a skilled worker.

Pre-apprenticeship programs are well-recognised by GTOs as a recruitment tool to ensure that each candidate has a clear understanding of the career path they are forging, as well as the type of training that they will undergo, both on and off-the-job.

With retention and non-completions a recurring concern, GTOs advocate that all GTO apprenticeship candidates be offered a pre-apprenticeship opportunity before they commence their full training contract.

This would equip apprentice candidates with better employability skills and lock in a commitment to a longer-term training contract with the GTO. GTOs have the capacity and capabilities to coordinate intakes of apprentices into pre-apprenticeship programs that suit their industry clients.

GTO NATIONAL STANDARDS INCENTIVES

NAEN recognises the business challenges faced by all GTOs in maintaining guaranteed employment for trainees and apprentices, as host businesses experience their own challenges while supervising and training an apprentice or trainee.

NAEN is a strong supporter of the 2017 revised National Standards for Group Training Organisations which ensure nationally consistent, high-quality services by GTOs.

We believe that government can encourage a stronger and more consistent performance of the national GTO network by linking these standards with Commonwealth incentives for GTOs which meet these standards.

NAEN proposes working with government to build stronger advocacy of the standards, and also to provide administration services of GTO National Standards Incentives for eligible GTOs which meet the Standards as administered by various State and Territory Training Authorities.



**National Apprenticeship
Employment Network**

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