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## Review of the Australian Apprenticeships National Skills Needs List

Thank you for providing the opportunity to make a submission on this important review. The Australian Industry Group (Ai Group) believes strongly that governments should support the apprenticeship system. It provides valuable pathways to skilled careers for many young people and for older workers looking to retrain for new opportunities. The National Skills Needs List (NSNL) is a key component of that support.

### Background to incentives

The Commonwealth Government has provided apprenticeship incentives to employers since 1962, when the 'Country Apprenticeship Scheme' was introduced. It paid employers £3 per week during the first year of the apprenticeship<sup>1</sup>. Apprenticeships have always been encouraged as a pathway for new entrants to the workforce to develop skills for well-paid careers. These apprentices traditionally were young people who did not have the interest or the financial support or the educational achievement to pursue professional occupations at university but could fill skilled occupations much needed by industry. The incentives recognised the cost to employers, especially in the first year, of employing and training apprentices with no prior experience or skills.

The incentives continued in one form or another over the years, sometimes increasing during recessions to encourage employment of additional numbers. When traineeships were introduced in the late 1980s they too were supported with incentives, although they were smaller than the apprenticeship payments in consideration of their shorter duration.

When the Commonwealth Government announced in the late 1990s that apprenticeships and traineeships would be collectively known as Australian Apprenticeships, the incentives became common between the two streams, with amounts differing between Certificate levels. That decision had the unintended, but in hindsight obvious, consequence of driving 'Certificate-creep', with every industry developing Certificate III-level programs that would attract higher incentives, regardless of the skills needs of the occupation. The problem was exacerbated by making the incentives available for existing workers as well as new workers, and costs began to blow out.

Ai Group supported the move in 2011 to rein in costs by quarantining traditional apprenticeships through the NSNL. The NSNL has always been a misnomer. It purportedly lists occupations under the ANZSCO Major Group 3 Classification that are experiencing skills shortages, or were experiencing skills shortages in 2010. Effectively, every trade occupation for which a person can undertake an apprenticeship was listed. Those that weren't listed were either very niche or still in the main eligible for NSNL incentives. That was because the Training Contract lists the qualification, not the ANZSCO occupation. For example, the Certificate III in Engineering – Fabrication Trade, which is what appears on the Training Contract, trains people in the listed occupations of Metal Fabricator, Pressure Welder,

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<sup>1</sup> Apprenticeships in Australia: an historical snapshot, NCVET, 2001

Sheetmetal Trades Worker and Welder (first class) but also trains people in the unlisted occupations of Blacksmith, Electroplater, Farrier, Metal Casting Tradesperson, Metal Polisher and Engineering Patternmaker. The Training Contract doesn't distinguish between occupations, so all have been eligible for incentives.

The VET sector and employers understood that the list was designed to separate traditional trades from non-trades, or traineeships, in order to contain costs, but also still provide higher incentives because apprenticeships take longer to complete and are valued in the broader community for providing traditional pathways to skilled careers.

Ai Group supported the decision in 2012 to include some traineeships, known as priority occupations, as a special class for incentives. That move recognised that traineeships can also provide valuable and skilled pathways in industry sectors that are not trade-based and hence not users of traditional apprenticeships.

From 1 July 2020, Ai Group understands there will be four tiers of incentives based on characteristics of the apprenticeship or traineeship:

- Tier 1 applies to Australian Apprenticeships at Certificate II level and provides incentives for school-based or disadvantaged groups.
- Tier 2 applies to Australian Apprenticeships at Certificate III to Advanced Diploma level and provides a \$4,000 incentive for new employees payable in two instalments (with some additions for school-based, recommencements or disadvantaged).
- Tier 3 applies to Australian Apprenticeships on the NSNL and additional to Tier 2 provides the \$4,000 incentive for existing employees, an additional \$4,000 if the apprentice is aged over 21, and access for the apprentice to Trade Support Loans.
- Tier 4 applies to Australian Apprenticeships listed on the Additional Identified Skills Shortage list and additional to Tiers 2 and 3 provides a further \$4,000 incentive for the employer and \$2,000 for the apprentice.

### **A new model for the NSNL**

Ai Group supports the four-tiered model listed above. We agree that the NSNL should be reviewed, however while we agree that skills shortages are an important consideration for government, they should not be the only determinant for whether a qualification appears on the list.

A key factor for providing incentives to employers to take on apprentices has always been to encourage the creation of work and training pathways for new entrants to the workforce, by helping to defray the cost for employers.

Ai Group proposes that the NSNL should relate to occupations requiring an apprenticeship or traineeship pathway, which are valued in the labour market because the skills are needed but not necessarily because they are in shortage.

This new NSNL should be determined by the Department, guided by the National Skills Commissioner and in broad consultation with industry and governments. It should have the following design principles:

- The methodology should favour pathways that are valued in the community. For example, a plumbing apprenticeship is valued by the community as a good career option for a person interested in working with their hands and eventually running their own business. The plumbing trade is valued as a skill needed throughout the community.
- Occupations should require an apprenticeship/traineeship as the main pathway for entry.
- Apprenticeships and traineeships on the NSNL should have a substantial requirement for training, perhaps measured in years or hours of formal training.
- There should be a process for applying for a qualification to be added to the list.

Adopting a simple model like the one above would obviate the need to conduct regular skills shortages research just for the purposes of the NSNL. Skills shortages can emerge suddenly and can disappear quickly. They can also be difficult to predict, except in hindsight. For example, the current skills shortage research states that welding trades are not in shortage in South Australia<sup>2</sup>. This is despite the Australian Government's Naval Shipbuilding Plan which predicts the shipbuilding workforce in SA will increase to a peak of around 5,200 in 2026, with a strong concentration of metal trades, especially fabricators and welders. The Plan expects these trades to increase by a factor of four from current levels<sup>3</sup>. If the DESSFB lists skills shortages once they are apparent, the apprenticeship system cannot solve the problem because another four years would be needed before the apprentices complete.

The skills shortage methodology suggested in the Issues Paper also adds a level of uncertainty for employers. If the methodology is applied annually, the occupations on the list will change annually. An incentive that appears in one year may disappear in the next. For a four year apprenticeship, an employer who takes on an apprentice every year will receive different payments for different apprentices in different years. Some of those apprentices might be eligible for Trade Support Loans and others might not be. This model would create a challenge for businesses, and would be complex for the Australian Apprenticeship Support Network to administer.

Greater certainty would come from a list established with broad agreement and which can be amended after full consultation with stakeholders.

The NSNL could commence with all qualifications approved by a state or territory government as an apprenticeship plus the four priority occupations in aged care, child care, disability care and enrolled nursing. A review could then be undertaken to examine whether some qualifications should be added to or subtracted from the list.

<sup>2</sup> <https://docs.employment.gov.au/documents/anzsco-3223-structural-steel-and-welding-trades-workers-sa>

<sup>3</sup> <http://www.defence.gov.au/NavalShipbuilding/Docs/NavalShipbuildingPlan.pdf>

### **The Additional Identified Skills Shortage (AISS) Payment**

Although outside the scope of the review of the NSNL, Ai Group has concerns about the model used to develop the AISS. The AISS comprises a payment of \$4,000 to employers and a payment of \$2,000 to apprentices for additional apprenticeships. These payments are welcomed by both employers and apprentices, but some of the occupations that are included are the easiest trades to fill because they are attractive to young people. Examples are carpentry, plumbing and hairdressing. By restricting the list to skills shortages in the top ten occupations, many businesses are not eligible for incentives that may help them to employ apprentices. Ai Group is aware of some employers of trades not listed that have stopped trying to recruit apprentices because they can't attract any applicants at all. An example is the sheetmetal trade. An incentive for potential apprentices for such trades may be the difference between a commencement or not, but the sheetmetal trade misses out because it doesn't employ as many people as other trades. Accordingly, the AISS Payment requires urgent review to consider hard-to-fill vacancies.

### **Conclusion**

Ai Group supports the four-tiered incentive regime that commences in July 2020 and provides different levels of incentives for apprenticeships and traineeships of different durations and different value to the economy.

Ai Group agrees that all pathways at Certificate III to Advanced Diploma levels incur costs for the employers who provide these opportunities and that the incentives compensate for some of those costs.

We also recognise some pathways are valued more highly in the community and incur greater costs because of their longer duration. These are the pathways that should be recognised through the NSNL, not because they are in shortage at a given point in time but simply because of their intrinsic nature and the importance to the economy of the occupations they support.

We would be pleased to discuss our submission in more detail if required.

Yours sincerely,



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