

2020 Pre-Budget Submission

By the



**National Australian
Apprenticeship Association**

Background

The National Australian Apprenticeships Association (NAAA) represents the companies that organise and support all apprenticeships and traineeships in Australia. We strive to create a highly regarded, industry centred, future focussed and inclusive apprenticeship system.

From February 2020, there will be 7 companies that form part of the Australian Apprenticeship Support Network (AASN). Since its inception in 1998 network providers have assisted over 4.7 million Australians into apprenticeships and traineeships.

Apprenticeship Network Providers (ANPs) have deep insight into the complexity and challenges of the apprenticeship system gained through long term experience and multiple and regular touchpoints with school leavers, apprentices and their employers.

The Association strongly supports the Commonwealth government's focus on the Vocational Education and Training sector. Including its recent investment in the Skills Package to address some of the issues highlighted by Expert Review of Australia's VET system by Hon Steven Joyce (Joyce Review).

This paper explores how to strengthen the Australian Apprenticeship system and meet the future challenges of our society and our economy.

The recommendations we propose build on key elements of the Joyce Review.

Recommendations

1. For the Commonwealth to lead the reinvestment in the Vocational Education and Training (VET) sector by providing the National Skills Commission with "growth funds".
2. Grow Australian Apprenticeship commencements by funding a national apprenticeship and traineeship sales campaign coordinated through and funded from the AASN contract underspend.
3. Replace the Training Youth Internet Management System (TYIMS) with a new Apprenticeship Data Management System (ADMS)
4. Trial an integrated work-based learning supervision allowance as a potential alternative to complex apprenticeship employer incentives.
5. Fund more bushfire fighting traineeships to address rising bushfire threats.

For the Commonwealth to lead the reinvestment in the Vocational Education and Training (VET) sector by providing the National Skills Commission with “growth funds”.

Overall government funding for VET has declined from \$8.032 billion in 2012-13¹ to \$6.032 billion in 2017-18. Commonwealth funding for vocational education and training fell by 5.4% last year.

Table 4 VET funding activities (\$ million)

Funding type		NSW	Vic.	Qld	WA	SA	Tas.	NT	ACT	Aust. Govt	Total
VET delivery	2018	1,480.40	1,186.80	733	412	288.3	91.8	72.9	94.6	300.6	4,660.20
	2017	1,352.40	1,242.70	743.9	414	250.1	92.6	75.9	90	380.8	4,642.40
Employer assistance	2018	3.9	4.6	60	20	4.9	5.5	4.1	0	497.3	600.3
	2017	5.9	4.3	59.2	23.7	4.4	2.2	5.6	0	511.7	617.1
Student assistance	2018	19.4	24.9	30.1	6.9	1.8	2.1	1.8	0.6	35.1	122.7
	2017	13.5	20.7	29.4	5.9	1.5	1.7	1.5	0.5	-	74.7
Capital funding	2018	0.7	40	47.1	23.1	13.1	-		4	6.6	134.6
	2017	1.4	52	31.5	55.7	12.2	-		3.6	2.8	159.2
System administration and governance	2018	84.1	75.7	75.1	79.2	25.4	8.9	15.1	6.5	177.9	547.9
	2017	103.7	61.7	55.3	87.9	25.5	7.3	15.3	5.9	175.9	538.5
TOTAL	2018	\$ 1,589	\$ 1,332	\$ 945	\$ 541	\$ 334	\$ 108	\$ 98	\$ 108	\$ 1,011	\$ 6,066
	2017	\$ 1,477	\$ 1,381	\$ 919	\$ 587	\$ 294	\$ 104	\$ 102	\$ 99	\$ 1,068	\$ 6,032
% change 2017-2018		7.6	-3.6	2.8	-7.8	13.5	4.4	-4.1	9.2	-5.4	0.6

Table 1 NCVET Government funding of VET 2018, December 2019

The Joyce Review made a number of observations about government’s lack of confidence in the VET system. However, confidence in the sector will not return until the quantum of government investment better matches the 4.2 million students that access VET training annually.

The Government has created the National Skills Commission to lead the VET system and restore confidence by governments and users of the system. Initially the NSC will focus on pricing and labour forecasting models. However, to enable the longer term leadership role the Commonwealth should seek to restore funding to at least the 2013 levels by investing in “growth funding” which the states and territories would be required to match.

This was the approach successfully pioneered by the Australian National Training Authority (ANTA) which led to a consensus driven development of VET in Australia. It supported the introduction of competency based training, the development of National Training Packages and the introduction of User Choice arrangements. These progressive developments made the Australian VET system the envy of the world.

If the Joyce Review and Skills Package are to result in a meaningful restoration and reinvigoration of the VET sector, reinvestment by all governments must occur. To build consensus for this the Commonwealth will need to lead the process by investing an additional \$1b annually to fund the priorities identified by the National Skills Commission.

If additional investment in the sector is not forthcoming then the Joyce Review and Skills Package will be merely window dressing of a vital sector in permanent decline.

¹ Analysis of Government Expenditure ABS 5512 – Government Finance Statistics 2018

Grow Australian Apprenticeship commencements by funding a national apprenticeship and traineeship sales campaign coordinated through and funded from the AASN contract underspend.

In 2015 the government redesigned the apprenticeship support system to include new targeted recruitment (gateway) and mentoring (in-training support) services. The model was widely welcomed. The Ithaca Review into the support network found in 2018 that the AASN model continues to have broad support.

However, one of the consequences of reducing the overall funding envelope for apprenticeships in the 2014 Budget from \$300m to \$200m was that the new AASN services had to be funded from the existing AASN budget.

This had the effect of reducing investment in Universal Services from \$185m in 2015 to \$95m in 2016. A vital aspect of Universal services is to provide the sales force to engage with employers and encourage them to employ an apprentice or trainee.

With the reduction in sales activity came an inevitable decline in commencements. So, despite additional investment in new employer incentives net commencement levels have remained flat.

Another consequence is that the total AASN budget has been underspent by \$200m since 2015, \$51m last year. This is seen as a “fortuitous saving” by Treasury but is in fact undermining the stated aim of the Commonwealth Government to grow apprenticeship commencements by 300,000 through the life of the Skilling Australian Fund agreements.

The Association supports this aspiration and argues that it is prudent to return trade apprenticeships and traineeships to at least 2.5% of the workforce, as they were for the first 15 years of this century. Increasing the stock of apprentices to 325,000 in 2021 an increase of 50,000 apprentice commencements in the year ahead.

The easiest mechanism to achieve this is to reinvest the underspend in the AASN budget in 2019-20 to fund a national apprenticeship sales campaign in 2020-21. During the Howard Government \$10m was allocated annually for this purpose. Given the decline in apprenticeships and the looming skills shortages this is creating, the Association argues that \$20m will be required to turn commencements around.

This could take the form of \$10m for a nationally coordinated campaign and \$10m directed to AASN providers on a proportional market share basis to increase their full time equivalent sales force for a year.

Replace the Training Youth Internet Management System (TYIMS) with a new Apprenticeship Data Management System (ADMS)

The replacement for the Training Youth Internet Management System (TYIMS) had its first pass business case approved by Federal Cabinet in 2019 and a budget was allocated in MYEFO to develop the second pass process.

During the preparation of the second pass business case some urgent stabilisation work still needs to be completed to enable TYIMS to function until the new Apprenticeship Data Management System (ADMS) can be developed. Immediate priorities include enhanced Trade Support Loan functionality and migrating “Smart Forms” from the Department of Industry.

The Association recommends that the high-level design principles for ADMS are:

- ADMS being an integrated data store, compliance and payment engine. Essentially the “back end” inter-departmental, payment and policy design functions of apprenticeship management.
- An application Program Interface (API) first strategy that allows market based solutions to develop the service delivery software “font end”.
- Establish a single data model for apprenticeships but no single database. Data should be integrated consistent with legislative frameworks from multiple data sources.
- Allow service delivery and workflow innovation within parameters defined by the Department for access to the API and through the AASN contract arrangements.
- Employer and Apprentice self service functions should sit outside ADMS and be a result of service provider innovation. Future AASN contracts with the Department could reward this innovation.
- AASN provider contractual arrangements should fund innovations that become system wide functionality.

ADMS could then aim to achieve the following goals:

- Stable and effective systems during the ADMS design and build phase. A two-way API with the front-end software that Apprenticeship Network Providers use to manage current arrangements whilst the new system is progressively developed and rolled out
- Provide multiple entry points for employers and apprentices into ADMS regardless of where they search from
- Real time transactions for system users
- A unified view of the apprentice and employer support plans
- A dynamic Training Contract updated as circumstances change
- A system that enables the development of value-added tools for AASN providers
- A modular approach that supports future technology and policy innovations
- Advanced business intelligence tools to manage Australian Apprenticeship programs
- Access to government and high-end user data to better inform future policy directions
- Improved accessibility of apprenticeship data to inform other government policy and service provision.
- A digital marketplace to better connect apprentices and employers

The second pass business case will be co-designed with user input to avoid the mistakes of Australian Apprenticeships Management System (AAMS). Assuming the immediate stabilisation work occurs during the next 6 months then the Association anticipates a three-staged approach to the development of the new system.

1. **Initial integration** of current systems with the third-party software used by ANPs through a two-way API. Development of the data model for the whole system and an integration plan with the existing apprenticeship ecosystem of State Training Authorities, AASN providers, employers and apprentices.
2. **Dynamic data services** modules are developed, tested and implemented that value add to provider service delivery. This could include digital access for apprentices and employers to update their basic data. It should also allow the enhancement of core IT support systems for Australian Apprenticeships.
3. **Integrated digital market** modules that improve the experience for apprentices and employers, allow for dynamic user profiles, enhance digital capability across virtual assistants, analytics and machine learning and take connections between employers, apprentices and their ANP to the next level.

The Association recommends that the Federal Government invest in all three stages and that these be progressively rolled out between 2021 and 2024 as they are developed, tested and become fully functional. The 2020 budget should make provision for this commitment and it should be confirmed in MYEFO in 2020 once the second pass business case is approved.

Trial an integrated work-based learning “supervision allowance” as a potential alternative to complex apprenticeship employer incentives.

Employers of apprentices play a vital role in the skills formation system by providing apprenticeship and traineeship opportunities. Apprenticeships are the gold standard of integrated workplace learning where 85% of the time is spent under supervision learning skills on the job. It's the primary way employers of all sizes show active leadership in the VET system.

The government should consider piloting a new transaction logic for supporting employers of apprentices. It could do this by providing employers with a “supervision allowance” for each of the apprentices they employ. This would be to defray the costs of providing the supervisor that guides the development of the apprentice.

These allowances could be paid 3 months in arrears and would stop if an apprentice leaves the employer. The new Apprenticeship Data Management System could automate these payments.

This approach would reward employers playing an active role in avoiding skills shortages for their business and their industry. The employment of an apprentice being enough to prove the demand for the skills that the apprentice will learn.

The longer the term of the Training Contract the more support an employer would receive.

If the pilot is successful it could lead to a radically streamlined incentive system with the supervision allowance replacing most employer incentives. Then the balance of incentive investment could be focused on assisting apprentices with particular barriers to complete their training.

To complement these measures a future workforce program could seek co-investment by businesses and government where an industry was in transition or new job roles were emerging. (the National Shipbuilding Plan is a current example of this, the transition to a low carbon economy could be a future example)

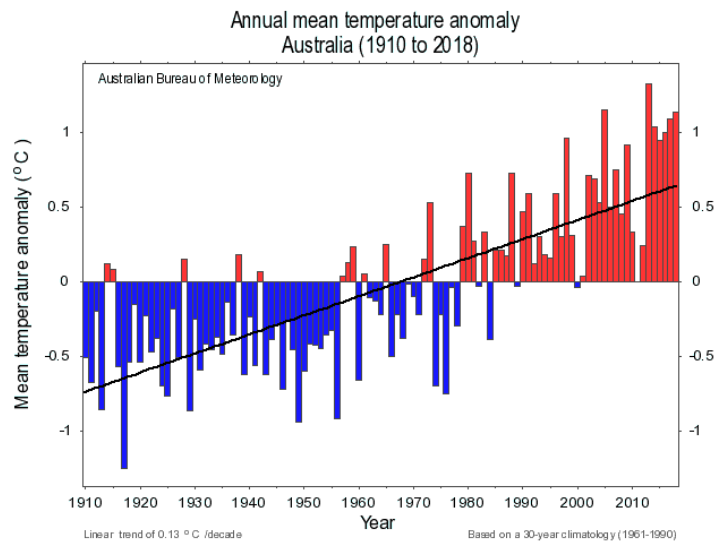
This type of approach would obviate the need for detailed forecasting for every industry sector preferring instead to allow the market to determine relative demand variations. The incentive system would support these variations as they occur. It would complement a “nowcasting” approach that the National Skills Commission is considering.

The supervision allowance has the potential to both radically streamline the employer incentive system and improve the value proposition for employers to participate.

It would also enable the provision of financial assistance to apprentices to address some of the causes of the stubbornly low completion levels in certain vocations.

Fund more bushfire fighting traineeships to address rising bushfire threats.

The Australian Bureau of Meteorology have tracked national daily temperatures since 1910. Australia's median temperature has increased by 0.6°C since 1960 and 1.2°C since 1910.



Whilst there is annual variability the long-term trend to higher temperatures is clear. This is resulting in more intense periods of drought, lower stream flows, higher levels of evaporation, lower humidity and a significantly increased bushfire threat. This has been demonstrated by an unprecedented fire season across Australia in 2019.

Its highly likely that Australia will need to ramp up and further professionalise our response to the increasing bushfire threat. We will probably need to reduce our reliance on volunteer bushfire fighters to undertake the majority of this work, particularly now the fire season starts earlier and continues longer.

The primary VET qualifications to train firefighters in Australia are the Cert II and III in Public Safety (Firefighting operations). Nationally we train around 3,895 firefighters a year in these qualifications with 68% of these being at Certificate II level. However, between 2016 and 2018 only 370 firefighters were trained using an integrated work based learning model under a Contract of Training.

Funding should be made available to increase the uptake of Traineeships for Firefighters and to encourage a greater proportion of qualifications at Certificate III level.

As these roles become more permanently employed the Training Package should be reviewed and updated so that community based firefighters can work with property owners over cooler months to increase preparedness and develop coordinated bushfire plans. This will become increasingly important in peri-urban areas, such as the Blue Mountains where residential populations are growing, the bushfire threat is high but where escape routes could easily become blocked or gridlocked.

The firefighting workforce should become a national priority and the apprenticeship system must be able to stand ready to provide the training this workforce will need.