



MCKELL INSTITUTE

Submission into the NSW Government Review into the
Apprenticeship & Traineeship Act 2001.

September 2016



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Background

This report is a combined submission between The Mckell Institute and the Electrical Trades Union (NSW Branch).

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Note

The opinions in this paper are those of the authors and do not necessarily represent the views of the Mckell Institute's members, affiliates, individual board members or research committee members. Any remaining errors or omissions are the responsibility of the authors.

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Introduction

In 2016, the New South Wales Department of Industry, Skills and Regional Development (hereafter, the Department) announced its intention to conduct a review into Apprenticeships and Traineeships in New South Wales. Specifically, the review will look at any adjustments to the *Apprenticeships and Traineeship Act 2001*, the law regulating apprenticeships and traineeships in the state.

In this submission, The McKell Institute aims to offer evidence based suggestions for improvements to the Act, and recommendations guiding future changes to regulations governing apprenticeships and traineeships in the State.

This submission begins by highlighting the poor state of apprenticeship and traineeship completion in both New South Wales and Australia. The last collated data that monitored a batch of apprentices and trainees from start to finish in New South Wales demonstrated that only 50.9 per cent of all apprentices and trainees are completing their courses. In some industries, completion rates are well below 40 per cent. This low retention rate is also matched by low entrance rates. Only 9.3 per cent of NSW school leavers enter into apprenticeships and traineeships. Nationally, apprentice and trainee enrolment has dropped almost 20 per cent in the last year.

This submission then outlines the centrality of a well regulated apprentice and trainee framework to improving higher retention and completion rates. Trying to achieve higher completion rates through the deregulation of the framework would go against international norms, and likely further diminish apprenticeship retention. Addressing low retention rates is vital, but in doing so, it must be ensured that the purpose and broader benefits of apprenticeships and traineeships are maintained and not undermined. Through its conversations with industry stakeholders, The McKell Institute has been informed from a diverse set of employee and employer representatives that the system as it currently stands

is too often 'setting up apprentices to fail', and that the regulations that are in place are often poorly enforced. It must be noted that this submission, while offering new options to improve regulations and the Act, is most concerned by the lack of oversight under existing arrangements, and emphasises the need for a greater investment of resources that enable government and industry to provide adequate oversight of the apprentice and traineeship system.

Thirdly, this submission highlights the broad support for a well regulated apprenticeship and traineeship framework observed by members of the Electrical Trades Union (hereafter, the ETU) during the public forums into the review of the Act in August and September 2016.

Fourthly, this submission addresses the specific points raised in the Consultation Paper relating to the review, published in July 2016 by the Department¹. In this Consultation Paper, the Department raised a range of issues surrounding the reform of apprenticeships and traineeships in the State, and this submission addresses each specific point raised. While some of the reform options raised in the consultation paper have merit, several of the suggestions – if implemented – risk undermining the value of apprenticeships and traineeships in the State, and entrenching the skills shortages seen in many industries across New South Wales.

This submission emphasises the core virtues of the existing apprenticeship and trainee model in New South Wales. Any alteration to the Act should not undermine the best aspects of the existing system, but should instead focus on greater oversight of existing regulations.

¹ Government of New South Wales, 2016. 'A Review of Apprenticeships and Traineeships in New South Wales'.

Key Recommendations

- **Recommendation 1** – Pre-apprentice programs should become more standardised and significantly better funded.
- **Recommendation 2** – The Department must allocate further human and financial resources towards enforcing the Act
- **Recommendation 3** – Training plans must be reformed, better tailored to individual needs, and better adhered to, as well as being robustly enforced by the Department.
- **Recommendation 4** – Abolish the 'Craft Certificate', and harmonise certification to make it less complicated and more consistent with the skills necessitated by industry.
- **Recommendation 5** – The Act must reinforce the importance of the four-year apprenticeship program.
- **Recommendation 6** – The Act should reinforce the important link between permanent employment and apprenticeships, as to limit the proliferation of casual and contractual employment during apprenticeships, which is a factor in low completion rates.
- **Recommendation 7** – The New South Wales Government should aim for a more ambitious target of apprenticeship and traineeship completion than that tabled in the Consultation Paper.



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The Government's review is being conducted in the context of trying to ensure that 'by 2019 some 65 per cent of apprentices and trainees complete their qualifications'. It is the view of this submission that this target should be higher, and that a higher target is achievable through an adequately regulated and enforced apprenticeship and traineeship program.

Key Findings

Key Finding 1

Well regulated apprenticeship and traineeship frameworks are essential to encouraging higher completion rates, as well as encouraging more Australians into apprenticeship and traineeship programs.

Key Finding 2

In the last completed national study of apprenticeship and traineeship completion, New South Wales ranked fifth with only 50.9 per cent of apprentices and trainees completing their programs – below the then national average of 53 per cent.

Key Finding 3

Adequate pre-apprentice screening can significantly improve apprentice and trainee completion rates. A program run by E-Oz Skills Energy Skills Australia conducted a trial program that focused on the implementation a pre-apprentice testing. This led to a completion rate of 93 per cent, 28 per cent higher than the NSW Governments target rate.

Key Finding 4

Apprenticeship and traineeship discontinuation causes significant economic damage to New South Wales. A 2011 NSW Government study found that the level of apprentice and trainee drop-outs was costing New South Wales \$3.5 billion in lost productivity. Considering high levels of apprentice and trainee discontinuation remains similar to that in 2011, **in 2016 dollars this equates to \$3.82 billion in lost annual economic productivity.** According to research commissioned by the NSW Government, in direct financial costs, **apprentice and**

trainee discontinuation costs NSW approximately \$350 million per annum² in forgone state revenue.

Key Finding 5

Apprentices and trainees in NSW are not receiving adequate supervision from the Department and occasionally their supervisors. Training plans and other existing regulations are not being enforced to the standard required. Greater resource allocation that enhances the Department's ability to oversee existing regulations would have a greater impact on apprentice and trainee retention than any adjustments to the Act.

² Deloitte Access Economics, 2011. 'The cost of apprenticeship non-completion in NSW', Accessed online September 16 2016: http://www.skillsboard.nsw.gov.au/sites/default/files/DAE_BVETReport.pdf

Section 1 – The State of Apprenticeships and Traineeships

Completion in New South Wales and Australia

Apprenticeships and Traineeships in NSW & Australia Facing Significant Challenges

Apprenticeships and traineeships in Australia are facing genuine challenges. Younger Australians are regularly opting against entering vocational education tracks and are instead pursuing alternative forms of higher education in greater numbers than ever before. Many Australians who do decide to enter apprenticeships or traineeships are not completing their courses, struggling to make ends meet throughout the duration of their program, and too often finding that the programs they are enrolled in do not result in a high quality education required to successfully navigate a career within a trade or professional industry.

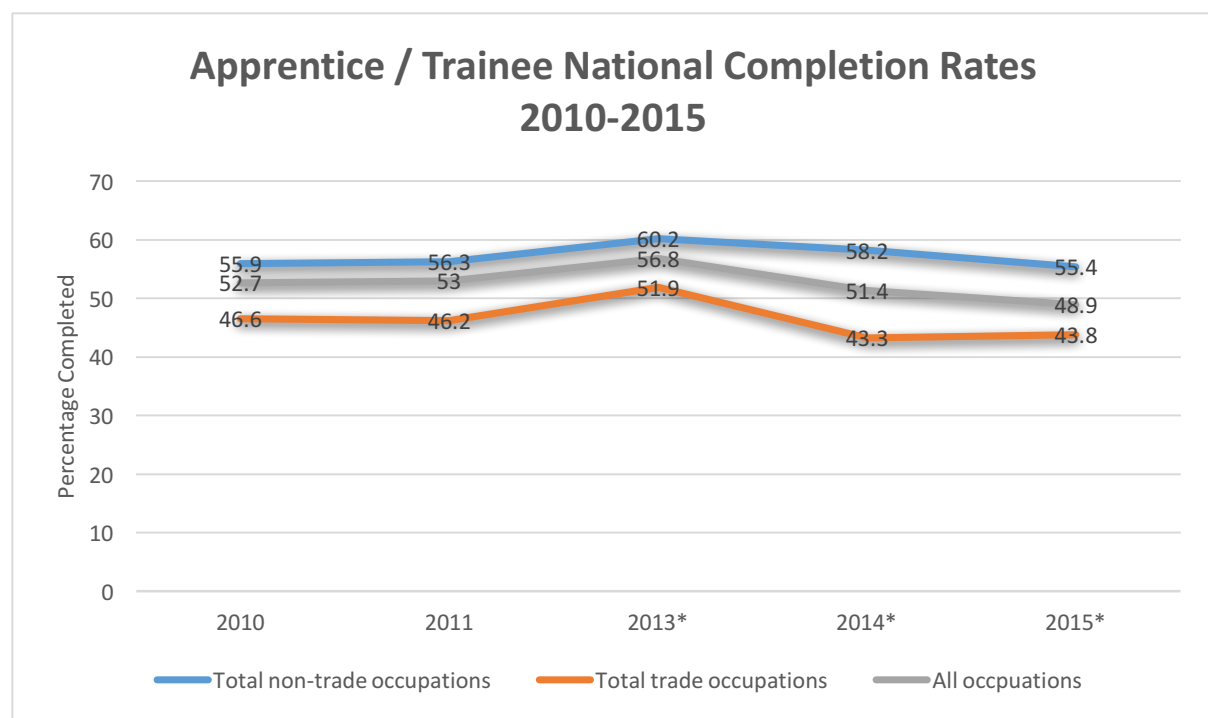


Figure 1 – Forecast national completion rates of apprenticeship and traineeship *contracts*, 2010-2015.

Source: NCVER

This submission focuses on how apprenticeship and traineeship completion rates can be raised in New South Wales. The most recent data on apprenticeship and traineeship completion in New South Wales, from 2011, demonstrates that only 50.9 per cent of apprentices and trainees in the state are completing their apprenticeships or traineeships. This is below the national average of 53 per cent, and markedly lower than in previous years. In 2007, 55.3 per cent of apprentices and trainees completed their programs in New South Wales – above the the national average of 55 per cent. Simply, a lower percentage of New South Wales apprentices and trainees are completing their programs, undermining the ability of industry to meet the skills demands of the contemporary economy.

<i>Jurisdiction</i>	<i>% Completion in 2007</i>
TAS	66.7
WA	62.2
SA	59
QLD	55.8
NSW	55.3
NT	51.6
ACT	51.3
VIC	50.7
Australia	55

Figure 2: National apprentice and traineeship completion rate across all Australian state and territory jurisdictions in 2007. At that point, New South Wales have the fourth highest completion rate, and was .3 per cent above the national average. Source: NCVER

	2009 %	2010 %	2011 %
TAS	57.6	59.8	58.4
SA	55.9	56.5	56.9
QLD	54.3	53.3	55.2
WA	55.7	55.1	53.5
VIC	54	52.6	52.9
NSW	52.2	50.8	50.9
ACT	44.4	46.2	47.2
NT	46.6	44.3	41.2
Australia	53.6	52.7	53

Figure 2: National apprentice and traineeship completion rate across all Australian state and territory jurisdictions in 2009, 2010 and 2011. The data demonstrates that apprenticeship and traineeship in New South Wales has gone backwards, and is now below the national average. Source: NCVER

Apprentice Completion Rates Vary Significantly Between Occupations

While the completion rate for apprentices and trainees across all occupations sits at a national average of 58.3 per cent³, this figure varies significantly across different types of occupation and different industries. Projected rates of completion for certain occupations range from between 33.7 per cent (hairdressing) and 72.9 per cent (health, welfare and support workers).

Workers within the electro-technology and telecommunications trades had a forecast completion rate in 2015 of 54 per cent, slightly below the national average, but several percentage points higher than the New South Wales overall average of 50.9 per cent (from 2011 figures). It is important that any adjustments to the Act recognise the discrepancy between the occupations that have high and low attrition rates, in order that any changes do not impact one industry more than another. What is clear is that to improve apprentice and

³ National Center for Vocational Education Research. 2016. 'Apprentice and trainee completion rates steady', Accessed online September 15 2016: <https://www.ncver.edu.au/about/news-and-events/media-releases/apprentice-and-trainee-completion-rates-steady>

trainee completion rates across the state, a more harmonised apprentice and trainee scheme with significantly more oversight is required. Any change in legislation should emphasize this requirement.

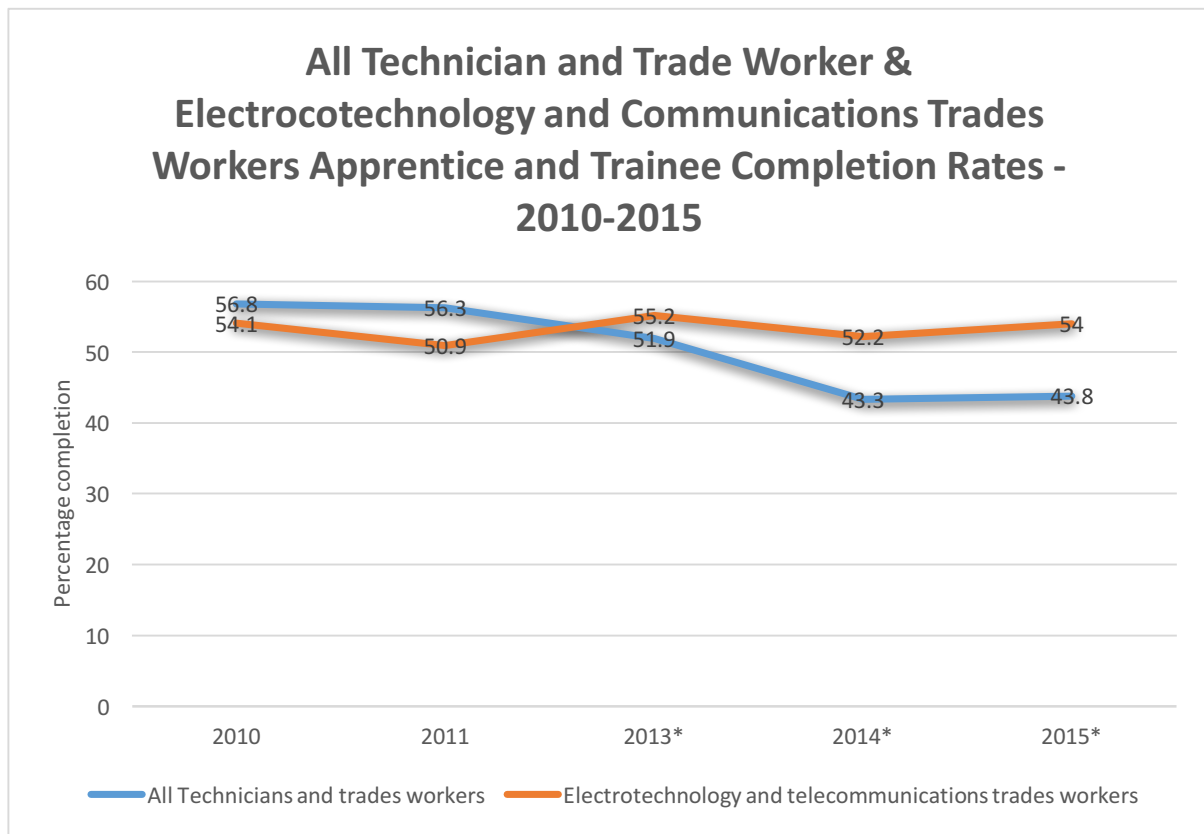


Figure 3 – National completion rates of apprenticeship and traineeship contracts across the categories of ‘all technicians and trades workers’ & electro technology and telecommunications trades workers’, 2010-2015. Source: NCVER

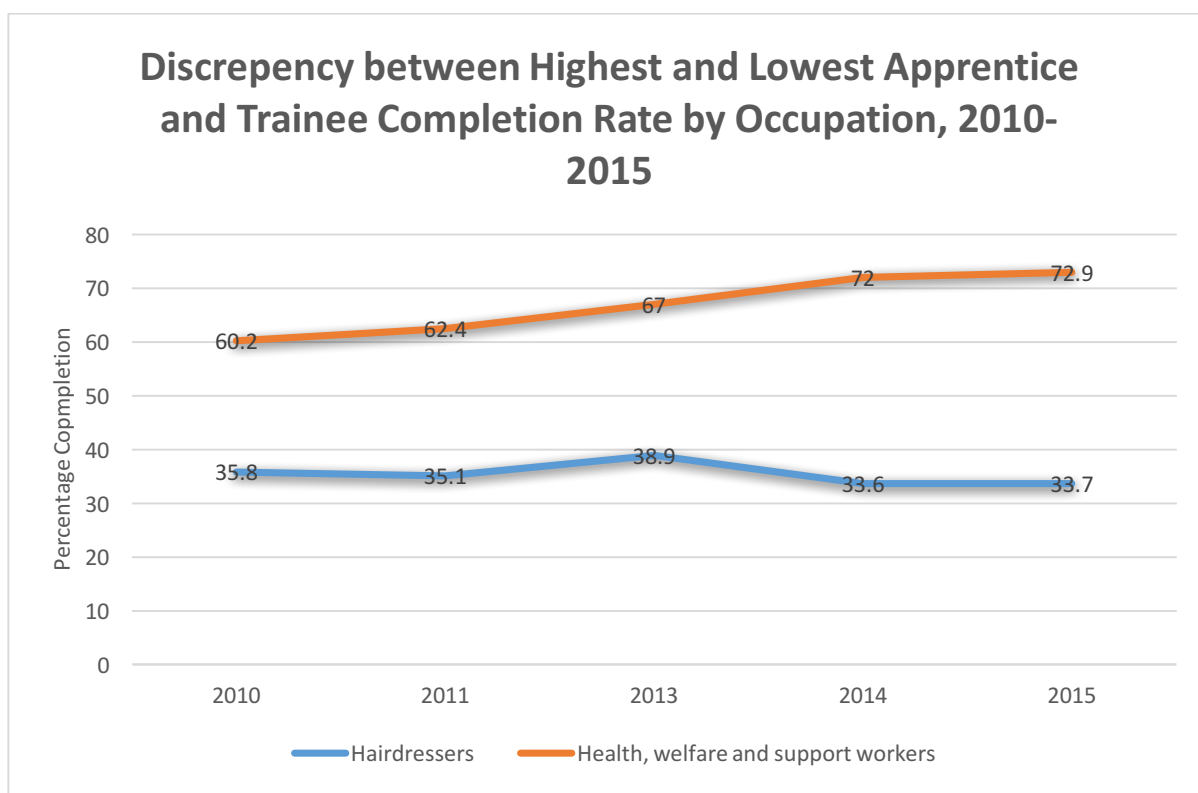


Figure 4 – National completion rates of apprenticeship and traineeship contracts across the two most contrasting categories of occupations in terms of completion. 2010-2015. Source: NCVER

NSW Apprentice and Trainee Completion Rates - 2009-2011

Occupation Type	2009 %	2010 %	2011 %
Total non-trade occupations	54.1	53.6	53.9
Total trade occupations	47.9	45.0	44.3
All occupations	52.2	50.8	50.9

Figure 5 – Apprentice and trainee completion rates in New South Wales – 2011.

Few School Leavers Are Entering Apprenticeships and Traineeships

Not only are a significant portion of apprentices and trainees not completing their programs, the vast majority of younger Australians are opting for alternative post-secondary education paths that avoid apprenticeship and traineeships. Across Australia, apprenticeship and traineeship enrolment dropped 19.6 per cent in 2015-16⁴. In New South Wales, 2014 school leaver data demonstrates that only 9.3 per cent of school leavers are entering into traineeships or apprenticeships. This compares with 52.5 per cent of school leavers entering into bachelor's degrees in universities, and 11 per cent of school leavers entering into other vocational education programs. Nearly a quarter (24.6 per cent) of all school leavers in New South Wales are pursuing employment at the conclusion of their secondary schooling⁵.

<i>All year 12 Completers - NSW</i>	<i>2010</i>	<i>2013</i>	<i>2014</i>
	%	%	%
<i>Some for of education or training</i>	71.8	75.5	72.8
<i>Bachelor Degree</i>	47.4	51.9	52.5
<i>VET Cert IV+</i>	9.9	9.3	7.3
<i>VET Cert I-III</i>	6	6.7	3.7
<i>Apprenticeship</i>	5.4	4.6	4.9
<i>Traineeship</i>	3.2	3	4.4
<i>Employed or looking for work</i>	27.2	23.4	24.6
<i>F/T work</i>	8.9	6.4	6.6
<i>P/T work</i>	13.5	12.1	12.5
<i>Looking for work</i>	4.8	5	5.5

⁴ Clarke, K. 2015. 'Australia needs to do more to arrest the decline in apprenticeships', *The Conversation*, accessed online September 15 2016: <https://theconversation.com/australia-needs-to-do-more-to-arrest-the-decline-in-apprenticeships-47942>

⁵ National Center for Vocational Education Research. 2016. 'Apprentice and trainee completion rates steady', Accessed online September 15 2016: <https://www.ncver.edu.au/about/news-and-events/media-releases/apprentice-and-trainee-completion-rates-steady>

Figure 6– Destination of secondary school leavers in NSW in 2010, 2013 and 2014. In 2014, only 9.3 per cent of NSW school leavers entered into traineeships or apprenticeships. Source: Myers, P., Vickers, N., Ward, A., Ramazanov, A., Honey, N., Chalice, G., & Davis, M. 2014. 'NSW Secondary Students Post-School Destinations and Expectations'

The tendency for young Australians to pursue education tracks outside of apprenticeships and traineeships is not only occurring in New South Wales, but across the country. In Victoria, only 7.5 per cent of 2015 school leavers pursued apprenticeship or traineeships, compared with 53.2 per cent who entered into universities, 16.3 per cent who entered into other vocational education programs, and 17 per cent who entered into the workforce⁶.

Changes to apprenticeship and traineeship regulations in New South Wales must acknowledge that apprenticeships and traineeships are not the most desirable education track for younger Australians. Changes must aim to make apprenticeship and traineeship programs more desirable by offering a high quality of education that equips younger Australians with the diversity of skills required for the contemporary economy.

⁶ Government of Victoria, 2015. 'On track: destination for school leavers', Accessed online September 15, 2016:
<http://www.education.vic.gov.au/about/research/Pages/ontrackstatewide.aspx>

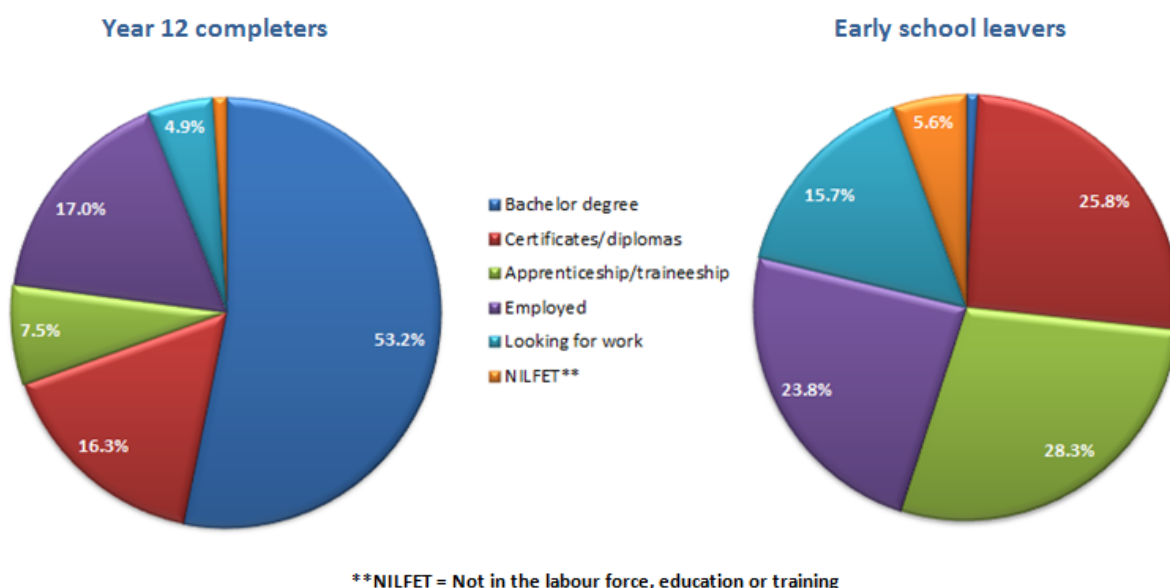


Figure 7 – Post secondary school leave destination in Victoria, 2015. Only 7.5 per cent of Victorian students enter apprenticeships or traineeships after completing year 12, closely in line with data from New South Wales.

Apprentice Attrition is an Economic Scourge

A 2011 study into the economic impact of apprentice and trainee attrition suggested that the then rate of apprentice attrition could cost the national economy over \$12 billion in lost value. In New South Wales, the negative economic impact of apprentice and trainee attrition was estimated at \$3.5 billion, with the majority of this lost value being incurred by employers through ‘productivity loss, administration costs and other expenditures’⁷. Since then, New South Wales apprenticeship and traineeship levels have not considerably improved. It can be concluded that a similar economic burden is still effecting the New South Wales economy. In today’s dollars, this impact can be estimated at \$3.82 billion. In terms of forgone revenue to the NSW government, it is estimated that the high rate of apprentice discontinuation costs the NSW treasury approximately \$350 million per annum⁸. Considering that the majority of

⁷Ross, J. 2011. ‘Dropout apprentices costing billions’, *The Australia*, Accessed online September 16 2016: http://www.grouptraining.com.au/Events_and_media/promotion/TheAustralian010911.pdf

⁸Deloitte Access Economics, 2011. ‘The Cost of Apprenticeship Non-Completion in NSW’, *NSW Board of Vocational Education and Training*, accessed online September 16 2011 http://www.skillsboard.nsw.gov.au/sites/default/files/DAE_BVETReport.pdf

apprentices in New South Wales work for small businesses – those with 50 employees or less – this economic imposition is most felt by the small business community in New South Wales and Australia more broadly. Considering the clear economic detriment that apprentice and trainee attrition imposes on the New South Wales and Australian economy, it is vital that any future reforms to the Act ensure the maintenance of a well regulated apprentice and trainee system that adequately addresses the genuine, accepted determinants of apprentice discontinuation in New South Wales.

Section 2 - Determinants of Apprenticeship Discontinuation & Completion

Key to any change in the Act should be ensuring that apprentices enter into their programs with a realistic and probable chance of completion. Currently 48.9 per cent of apprentices and trainees in Australia complete their program contract, while overall individual completion rates (factoring in movement between employers throughout the duration of an apprenticeship or traineeship) is at 58.3 per cent⁹. In New South Wales, the last completed figures (figures that monitored apprentices throughout their entire duration) suggested that only slightly over 50 per cent of apprentices and trainees were completing their programs.

However, the determinants of apprenticeship discontinuation are evident, be it through an analysis of the literature on apprenticeships, or through on the ground data collection within New South Wales itself.

The broader objective of raising the rate of apprenticeship and traineeship retention in New South Wales is one that should be applauded: decreasing apprenticeship attrition will have a positive benefit for apprentices, trainees and all industries that rely on a constant influx of new and skilled workers. But in addressing apprenticeship retention, a regulatory approach must be adopted that addresses the genuine, evidence based determinants of apprenticeship completion, and does not adopt a simplistic or ideologically driven reform agenda to achieve the desired outcomes.

Improving apprenticeship and traineeship retention has been a public policy issue across the developed world. The high attrition rates internationally have encouraged researchers to

⁹ National Center for Vocational Education Research, 2016. 'Apprentice and Trainee Completion', Accessed online 16 September 2016: <https://www.ncver.edu.au/about/news-and-events/media-releases/apprentice-and-trainee-completion-rates-steady>

comprehensively study the determinants of apprenticeship retention and completion, and a deep literature studying the issue has emerged in recent decades.

Factors Leading to Apprenticeship Discontinuation

Harris & Simons (2005)¹⁰ identified three key categories of determinants dictating apprenticeship completion and discontinuation. The three categories, and their sub indicators that make apprentices leave their program have been identified as:

Employment-related aspects that impact apprenticeship discontinuation:

- Low wages, particularly in the first and second year of an apprenticeship.
- Level of pay, in their view, not being commensurate with the value of the work being done.
- Being exploited or not receiving correct entitlements (e.g. being paid for overtime)
Employers who abuse, harass, exploit or treat apprentices unfairly; other difficulties with employers, supervisors or work colleagues
Work that is boring and/or repetitious (e.g. apprentice cooks only making salads, apprentice carpenters only cleaning and sweeping).
- Work or responsibilities that are not regarded as appropriate to their status as an apprentice (e.g. second-year apprentice cooks being left in charge of a kitchen).
- Work conditions, particularly long hours without appropriate breaks or days off, heavy work loads, occupational health and safety issues.
- Mismatch between expectations of the apprentice and the employer/supervisor due to poor recruitment practices.
- Finding out that they do not like or are not suited to the type of work associated with the occupational area.

¹⁰ Harris, R., & Simons, M. 2005. 'Exploring the notion of retention in apprenticeship', *Education + Training*, 47-4, 350-365

Training-related aspects that impact apprenticeship discontinuation

- Poor quality off-the-job training in terms of its lack of relevance to current workplace; dissatisfaction with the teacher's/trainer's knowledge and teaching style; learning is not new Poor quality or lack of on-the-job training; employers who do not meet their obligations in terms of training

Personal-oriented aspects that impact apprenticeship discontinuation

- Changes in personal circumstances such as getting pregnant, the employer going out of business, needing to leave home and live independently
- Personal traits or attributes such as poor work performance, lack of desire to do well, poor work ethic, problems with time management, poor communication and interpersonal skills
- Lack of social life

Factors Leading to Apprenticeship Completion

Harris and Simons also identified three categories of determinants that determine whether apprentices and trainees are likely to complete their programs. When the following determinants are evident in an apprenticeship program, researchers have found that the apprentices are more likely to complete their program.

Employment-related aspects that enhance apprenticeship completion:

- Variety and challenge in the work
- Size of employer – generally, the larger the employer, the more training will be provided and the more opportunities to get a range of experiences
- Promise of future stable employment/more money Wage increases; receiving correct entitlements (e.g. being paid for overtime)
- Having the value of their work recognised and appreciated by employers, supervisors and work colleagues

- Good working conditions, particularly regular hours, appropriate breaks and days off
- Good relationships/communication with employer/supervisor
- Funding assistance to employers to allow them to take on and retain apprentices

Training-related aspects that enhance apprenticeship completion:

- Good quality off-the-job training in terms of its relevance to current workplace and future job opportunities; teacher's/trainer's knowledge and teaching style
- Opportunity provided by off-the-job training to interact with peers
- Good quality on-the-job training, and an employer/supervisor who takes the time to provide training and to help with the learning process
- Continuing to love/like the type of work associated with the occupational area
Employer/supervisor who provides encouragement and support through the learning process and with whatever difficulties apprentices may encounter
- Quality training in terms of receiving a broad range of skills and experience
- Accumulation of knowledge, skills and experience which makes the work easier and/or leads to being given interesting work and greater responsibility
Recognition of the value of the qualification

Personal-oriented aspects that enhance apprenticeship completion:

- Support and assistance to cope with changes in personal circumstances (e.g. need to leave home and live independently)
- Supportive family, networks and partner
Apprentice's desire to do well, motivation and/or determination to succeed against the odds.

The Correlation Between Academic and Anecdotal Evidence

The ETU survey of its apprentice members in New South Wales and ACT. It is worth noting that the anecdotal evidence gathered by the ETU's apprentice membership correlates significantly with the academic understanding regarding the determinants of continuation or discontinuation of apprenticeships.

Respondents to the survey made it clear that low remuneration was a key impediment to completing an apprenticeship:

- 91 out of 159 apprentices surveyed (57 per cent) replied that higher remuneration would 'make it easier to complete [their] apprenticeship'.
- 30 out of 159 respondents (19 per cent) admitted they had considered quitting their apprenticeship, specifically citing the fact that they 'couldn't afford to keep going'.
- The average weekly disposable income (income able to be spent on lifestyle choices, such as eating out, entertainment, non-essential consumption) of all apprentices was a mere \$169.80. For apprentices who did not live in a parental home, this total was further diminished.

While remuneration is not the only driver for an apprentice retention, it is a significant contributing factor. As apprentices continue through their program, the financial struggle tends to become less significant due to increasing pay rates each year. However, any serious reform aimed towards improving the retention rates of apprentices must have a genuine discussion about reforming the remuneration system.

Other Drivers of Discontinuation

- 67 per cent of respondents wanted **more government incentives**, such as help acquiring tools to conduct their trade.

- 17 per cent of respondents desired ***greater on the job mentoring.***
- 6 per cent of respondents said they would have like ***greater pre-apprentice information.***

When asked what other drivers would make it easier to complete their apprentices, respondents gave often illuminating answers towards the nature of their apprenticeships:

One respondent said that in order to encourage him to remain enrolled in his apprenticeship, he would prefer to be *'Actually doing jobs that better my skills in my chosen trade. Not stupid jobs that an 'apprentice' should do'.*

Further Anecdotal evidence into the nature of apprenticeships.

When asked if they would like to offer any further comments into the nature of their apprenticeship, several respondents offered insights into the lack of oversight and educational attainment throughout their apprenticeship:

Respondent 155:

"The pay rates of apprentices [and] employee's Australia wide [should] be some how monitored/checked up on to ensure workers are not being made to work under award wages and better education into hazardous substances, mainly asbestos as very few people are aware of where it is used"

Respondent 146:

"Better info needs to be given to 1st and 2nd years as because they are fresh. My employer gets away with [mucking] them over a lot more as they know that they won't question pay, etc. Also the supervision of apprentices is a big thing as we are getting paid to learn and when you have companies that have a large number of

*apprentices onsite with very [few] qualified people **it's concerning to see that apprentices supervising apprentices is a common thing.***" (emphasis added).

Other respondents also noted the financial hardship that comes with being an apprentice in New South Wales:

Respondent 81:

"My apprenticeship is something i work hard for ! I keep it close to my heart because i know through this tough time my wife and i are going through financially it will bring forth good fruition and a healthy income!!"

Respondent 92:

"Anytime you need advice about how hard it is to be an apprentice just give me a ring and I'll chat to you all day long".

One respondent highlighted the cultural issues in the workplace that have lead to apprentices being seen as merely 'cheap labour' as opposed to vital assets for the future skilled workforce:

Respondent 9:

"The mentality in every trade that apprentices are the bottom feeders of any apprenticeship needs to change, instead of apprentices being cheap labour it should be more teaching/guidance focused. They should be thought as of just disposable, the employer/tradesman should want them to be the best they can be the best they can be".

This anecdotal evidence collected by the Electrical Trades Union correlates with the academic understanding of the determinants of apprentices continuing or leaving their programs. Clearly, the evidence suggests that by further deregulating apprentice programs –

including by allowing apprentice employers to pay apprentices less, and have less oversight of the program – apprentice completion would be further impacted.

Additional Research on Discontinuation

<i>Reason for Non-Completion in 2010</i>	<i>%</i>
<i>Did not get on with boss or people at work</i>	10.2
<i>Did not like the type of work</i>	8.3
<i>Other reasons</i>	1.5
<i>Personal reasons</i>	15.7
<i>Left job or changed career</i>	12.5
<i>Left job or made redundant</i>	26.8*
<i>The pay was too low</i>	4.7
<i>Was not happy with the on-the-job training</i>	1.9
<i>Not happy with job prospects in the industry</i>	4.2
<i>Got offered a better job</i>	2.2
<i>Apprenticeship/traineeship discontinued or cancelled</i>	3.8
<i>Poor working conditions</i>	3.1
<i>Changes to another apprenticeship/traineeship</i>	1.1
<i>Left to study elsewhere</i>	0.8
<i>Found the study too difficult</i>	1.6
<i>Was not happy with the off-the-job training</i>	1.6

Figure X – Survey questioning the reason individuals leave apprenticeships and traineeships. Source: AINSW¹¹ * - This period had higher redundancies than normal due to the ongoing economic impact of the Global Financial Crisis of 2008-9.

¹¹ Bednarz, A. 2014. 'Understanding the non-completion of apprentices', *National Center for Vocational Education Research*, Accessed online September 15 2016: <https://cica.org.au/wp-content/uploads/Understanding-non-completion-2706.pdf>

Research conducted by the National Center for Vocational Education Research (NCVER) in 2014 analysed in further detail the determinants of the non-completion of apprenticeships and traineeships. Using survey data from 2010, the study identified the main reasons apprentices and trainees were leaving their programs early. Data collected by the NCVER noted that in 2010, the most common reason for leaving apprenticeship programs was through leaving the job or being made redundant. However, it is important to note that this figure was inflated due to the ongoing impacts of the Global Financial Crisis of 2008-9 which led to fewer businesses employing apprentices overall. Other key reasons for leaving were workplace issues (not liking colleagues or supervisors), personal reasons, low pay, poor working conditions, and a lack of contentment with the quality of education being received.

Genuine Determinants of Apprenticeship & Traineeship Retention Must Be Acknowledged in Any Legislative Reform

The previous anecdotal and academic data tabled in this submission highlights the genuine determinants of apprenticeship and traineeship continuation and discontinuation. These determinants must be addressed in any adjustment to the Act. It is important to re-emphasise that many of the determinants could be addressed through better oversight of existing regulations. Often, key aspects of apprentice and trainee's programs – such as training plans – are inadequately monitored, meaning existing regulations are not being adequately enforced. This lack of oversight has had a considerable impact on the attrition rate of apprentices and trainees in New South Wales.

Case Study of a Successful Training Program

E-Oz Energy Skills 2014 Pilot Program

Between 2015 and 2016, E-Oz Energy Skills Australia conducted a government funded pilot program into apprenticeship training that included 27 individual group training organisations in Australia. The pilot program, funded as a recommendation in the federal

government's 2011 report into apprenticeship programs, *A Shared Responsibility – Apprenticeships for the 21st Century*¹².

The pilot program explored several additional elements that were implemented before and during apprenticeship and traineeship programs. These elements included:

- An automated 'Readiness Assessment' program and associated support materials.
- Industry advisory services for employers, schools and individuals
- An apprentice progression quality assurance model incorporating national benchmarks
- Professional development for RTO staff, employers and mentors
- Blended Learning training and assessment resources
- A fully integrated data management system.

The pilot program included 1549 apprentices across the country. All of these apprentices applying for the program were first required to pass a readiness assessment.

The outcome of this assessment was striking: 93 per cent of apprentices enrolled in the program completed their apprenticeship. This is a completion rate 28 per cent higher than the *target rate* the New South Wales Government is aiming to achieve by 2019. What this case study demonstrates is that through sound oversight and adequate pre-apprentice testing and training, a significantly higher retention and completion rate can be achieved. This case study suggests that by aiming to implement a less regulated apprenticeship and traineeship scheme – one that has less oversight and less adequate training – will lead to the opposite result.

¹² Commonwealth Government of Australia, 2011. 'A shared responsibility: apprenticeships for the 21st century'.

Section 3 - The Government Review Process

In August 2016, the New South Wales government held a number of town-hall style forums that enabled industry stakeholders to offer their perspectives on the consultation paper that was previously released and sets the outline for the proposed changes to the Act envisaged by the government. These forums occurred across the state, taking place in Sydney, Chatswood, Wollongong, Bankstown, Bega, Newcastle, Ballina, Port Macquarie, Parramatta, Tamworth, Orange, Griffith, Wagga Wagga and Albury.

Broad Support for Adequate Regulation Was Evident at the Public Forums

Representatives from the ETU attended each session, and reported that at the majority of these sessions, there was little support for a less regulated apprentice and traineeship program. While there was acknowledgement that certain aspects of the current system were not achieving the desired outcomes, it was evident that the solutions most industry stakeholders suggested could not be achieved through a greater deregulation of the industry. Broadly, the position of the ETU at these events – namely, that the apprentice and traineeship program should not be deregulated – received significant support.

There is certainly a case for reviewing current apprenticeship arrangements to achieve better outcomes and higher apprenticeship completion rates, however, this review must be conducted in a way that genuinely achieves better outcomes for both apprentice and trainees as well as other industry stakeholders.

Of those who opposed trying to achieve higher completion rates through the further deregulation of apprentice and traineeships, many expressed concern about the increase in 'fast-track' training alternatives that are creating a group of apprentices and trainees who enter the workforce with only a limited skillset. Many of the forum participants argued that

greater focus on increasing and improving four-year apprenticeship programs would result in a higher skilled workforce, facilitating the needs of both the apprentices and industry.

There was also concern expressed by industry participants that the forums did not adequately address the entirety of the apprentice and traineeship system, and that the overall remit of the discussions was too narrowly defined in the discussions. Certain representatives in attendance noted that broader conversations about the deregulation and defunding of TAFE courses, in particular, were deflected and deemed irrelevant to the specific conversation that focused too narrowly on adjusting the Act.

There was an impression at some of the forums that a holistic understanding of the needs for reform could not be reached because of the limitations of the discussion. This ultimately prohibited a complete picture of the determinants of apprentice retention (or apprentice discontinuation) being discussed, with the discussion overly limited to the narrow reform objectives of the government.

Section 4 - The Importance of a Well Regulated Apprentice and Traineeship Framework

*“As training firms often succeed in retaining the most suitable apprentices, offering apprenticeships is an attractive strategy to recruit their future skilled work force. In addition – as long as skills are standardised and nationally certified – those apprentices leaving the training firm after graduation ensure that other firms can recruit a sufficient number of skilled workers from the labour market. **Firms themselves can influence the cost-benefit ratio of training to some extent, but an equally important or even bigger part of this ratio is determined by public policy: the educational system, training regulations and labour market institutions.**”*

- Muehlemann, S., & Wolter, S. 2014.

Apprenticeships and traineeships are an essential component of Australia and New South Wales' economy and society. Through apprenticeships and traineeships, New South Wales residents are provided a pathway to skilled employment outside of the university sector. However, to realise the true benefits of apprenticeships and traineeships, programs need to be adequately regulated to ensure that apprentices are, with these regulations adequately enforced.

To this end, apprenticeship and traineeship policy in New South Wales is not meeting the expectations of both industry and the workforce, with many apprentices and trainees often leaving their program early, or completing their apprenticeship or traineeship without the adequate skills demanded in the contemporary workplace. Indeed, many of those entering

apprentices or traineeships are being 'set up to fail'¹³, with inadequate supervision, poor enforcement of training plans, and poor pre-apprenticeship/traineeship preparation.

It is important to recognise the centrality of a well regulated and adequately monitored apprenticeship system in creating the outcomes for apprentices that are desired by both the apprentices and trainees, as well as industry. Bolstering apprenticeship completion and ensuring that the apprentices end their formal periods of training with the diversity of skills required by the contemporary labour market is vital in encouraging industry to invest in apprenticeship programs moving forward. The currently undesirable completion rate of apprentices has a flow on effect for both industry and the broader economy. Businesses, seeing the currently low completion rate, are naturally less confident in investing in apprenticeships than they would if the completion rate is higher.

But it is vital to emphasise that the pathway to a higher completion of apprenticeships is not through less oversight, less regulation and lower remuneration, but through the opposite: an active oversight by the New South Wales Government of a well regulated apprenticeship and traineeship scheme that fairly compensates those engaged with it.

A Well Regulated Apprenticeship Scheme is Good for Businesses

There is a significant benefit to businesses in improving the attrition rate of the apprentices, which is best achieved through a well regulated apprenticeship system. What is vital for industry is that the labour market is skilled and adaptable to meet the increasingly diverse set of demands required in a modern economy. The way in which this talent pool is expanded is through improving the retention and completion rates of apprentices, and equipping apprentices and trainees with a diverse set of skills that meet contemporary demands.

¹³ Through conversations with industry stakeholders, this phrase was repeatedly used by a range of industry participants.

An analysis published in the International Journal of Labor Policy in 2014 outlined a detailed cost-benefit analysis of the investment businesses make towards training apprentices. The core finding was that business investment into training apprentices had the best return when the apprenticeship program was adequately regulated, and generated high-quality, multi-skilled apprentice graduates who could then use these skills to benefit the business in which they are trained, as well as the broader labour market.

The cost-benefit analysis also re-emphasised the importance of a four-year apprenticeship program, and the necessity for apprentice programs to include high-quality educational outcomes in order to encourage individuals to enter apprenticeship programs over other educational streams.

“Moreover, flexibility for firms would have to be paired with a high level of standardisation in training contents and curricula (at least at the national level) and external skills certification. Such measures would guarantee that apprentices can use their skills with other employers in the labour market, independent of where they completed their apprenticeships. As a result, apprenticeships would gain in attractiveness, which is important because otherwise potentially qualified apprentices may opt for other educational tracks if their expected return to enrolling in an apprenticeship programme is not sufficiently high. At the same time, particularly small firms would become more desirable apprenticeship providers for talented school leavers and other potential apprentices”

- Muehlmann & Wolter, 2014.

Importantly, findings from research within the European apprenticeship and traineeship systems emphasise the importance of maintaining apprenticeship training programs that run for an extended duration, such as the four-year standard duration of apprenticeships in Australia. The importance of maintaining the necessary length of apprenticeships is twofold. First, it enables apprentices to develop adequate skill sets over an extended period of training. Secondly, because the efficiency of apprentice workers tends to increase throughout the duration of an apprenticeship program – and businesses tend to invest heavily in apprentice

training early in the program – businesses themselves benefit from the extended apprenticeship program by enjoying an increased quality and efficiency in their labour as apprenticeship programs progress.

Similarly, it is vital for businesses to ensure that the training programs they are providing to apprentices and trainees is of a high educational standard. Encouraging apprenticeship retention is best achieved by offering apprentices a thorough educational experience that will serve individual apprentices well into their careers. In a survey of Electrical Trade Union apprentice members, a worrying trend emerged that suggested many apprentices felt their value was little more than cheap labour for their employer, and that their apprenticeship program did not equip them with the education and skill set required to succeed in the electrical industry. While this was certainly not a majority view, it was also not uncommon. Such anecdotal evidence is alarming, because central to the compact between employer and apprentice is that the apprentice acquires a quality education in return for contributing to their employer's business for lower remuneration. Bolstering confidence in the apprenticeship system more broadly is central to the long term economic viability of industries reliant on a skilled workforce. There is an academic consensus that the best outcomes for apprentices occur with apprenticeship and traineeship programs are well regulated and are completed over an extended period of time, such as the four-year program in Australia¹⁴. Any changes to public policy settings that make apprentices and employers lose confidence in the ability of apprenticeship programs to adequately train and educate a skilled and adaptable workforce will ultimately undermine the economic vitality of the industries that rely on a workforce educated through apprenticeship programs. Simply, it is in all business's interests in New South Wales that apprenticeships are well regulated, training plans are adequate and enforced, and four-year apprenticeship programs are maintained in order to ensure the best long-term outcomes for both businesses and employees.

¹⁴ Muehlmann & Wolter, 2014.

Section 5 - Specific Responses to the Consultation Paper

Topic 1 - Providing flexibility in training arrangements

1. *Are Vocational Training Orders still required to determine which qualifications should provide apprenticeship or traineeship pathways?*
 - Vocational Training Orders (VTOs) are an essential component of the existing apprenticeship regulation. Any consideration to remove VTOs from existing legislation will likely result in poorer educational outcomes for apprentices in New South Wales. VTOs set vital guidelines for the terms of apprenticeships and traineeships in specific vocations that help set the remit of apprenticeship and traineeship programs.
2. *Do Vocational Training Orders restrict innovation in apprenticeships and traineeships or are there other employment and training models that should be available as apprenticeships and traineeships?*
 - There is no credible evidence to suggest that VTOs are getting in the way of innovation with apprenticeship and traineeship programs. The overwhelming majority of training organisations, businesses and employee organisations with members undertaking apprenticeships or traineeships agree that the VTO should remain central to New South Wales regulation.
3. *How can we increase flexibility to meet employer and apprentice/trainee needs?*
 - Employers, apprentices and trainees all require a certain extent of flexibility to meet the requirements of the contemporary economy. However, it is vital that the

term 'flexibility' is not used in a way that undermines workplace entitlements, such as adequate remuneration. Similarly, it is vital the flexibility is also extended to the educational aspects of apprenticeships and traineeships. Many apprentices and trainees also require flexibility in their work and education schedule. More consideration should be given to those apprentices and trainees who would be best served by more flexible training and education hours in TAFE and other institutions throughout the duration of their program.

4. *Do Vocational Training Orders adequately support competency based progression and completion of apprenticeships and traineeships?*

- Vocational Training Orders currently outline the eligibility for competency based completion. This current situation should continue.

5. *Are there any other ways that the Act or the Department's policies and procedures could better facilitate flexibility in apprenticeship and traineeship arrangements?*

- The Act could be reformed to ensure that any additional flexibility extended to employers does not undermine essential workplace entitlements for apprentices and trainees. Additional flexible arrangements should be considered from the perspective of apprentices and trainees, many of whom require a more flexible training and education schedule than is currently afforded to them.

Topic 2 - Alternative models for apprenticeships and traineeships

6. *What alternate models for apprenticeships and traineeships could be considered by NSW?*

- There are important lessons to be learned from alternative traineeship models across the world that will facilitate greater apprenticeship outcomes in New South Wales. However, it is also important to recognize that many of the failures existent in New South Wales current apprenticeship regulation system are related to the lack of oversight of existing regulation.
- Training programs that include a high quality pre-enrolment screening and testing have a significantly higher retention rate than those without such programs. This should be factored in to the development of any future models.

7. *Are there international apprenticeship models that are applicable to NSW?*

- Lessons are to be learned from the success of overseas apprenticeship and traineeship models. Two countries in particular, Germany and Sweden, offer models from which the best and most successful attributes could be replicated in a New South Wales context:
- **The German Model**

Germany is a leading nation in vocational education and training. The success of the German model has led to up to 60 per cent of young people pursuing some sort of trade in a diverse ranges of fields, including manufacturing, IT, banking and hospitality¹⁵. The German system has become renowned in that

¹⁵Jacoby, T. 2015. 'Why Germany is so much better at training its workers', *The Atlantic*, Accessed online September 15 2016: <http://www.theatlantic.com/business/archive/2014/10/why-germany-is-so-much-better-at-training-its-workers/381550/>

strong public policy interventions in apprenticeship training has resulted in a cultural perception that apprenticeship training programs are of equal educational standing as other forms of higher education. This has resulted in a large influx of younger Germans entering vocational education, and has resulted in a highly skilled and adaptable workforce.

- The Swedish regulatory framework surrounding apprenticeships and traineeships is similarly worth further analysis by the Government. Like the German model, it has led to higher retention rates, and a cultural acceptance of apprenticeships and traineeships as a legitimate education track with high education outcomes.

8. *Is there an opportunity to increase flexibility to meet employer, apprentice and trainee needs?*

- Any reforms aimed at increasing flexibility must ensure that essential workplace entitlements for apprentices and trainees are not undermined.

Topic 3 - Establishing apprenticeships and traineeships

9. *Is the current apprenticeship model of an integrated program of paid work, on the job training and attainment of the relevant qualification still relevant?*

- This element of New South Wales' apprenticeship and traineeship program is vital. As outlined at earlier stages of this report, providing an adequate remuneration and education outcome for apprentices is essential in

encouraging individuals to enter apprenticeships and traineeships as opposed to other educational or employment streams. Maintaining an integrated program of paid work, on the job training and attainment of the relevant qualification is pivotal to the future of apprenticeship and traineeship programs in New South Wales. Altering this fundamental component will have a negative impact on apprenticeship retention and completion in the state.

10. Does the Act or do the Department's policies and procedures create any barriers or impediments for the organisations, bodies and individuals involved in the establishment of apprenticeships and traineeships?

- The Act and the Department's policies and procedures do not seem to create many specific impediments for the organisations, bodies or individuals involved in the establishment of apprenticeship and traineeships. However, it must be noted that existing regulations, policies and procedures within the Department are often not adequately enforced, meaning crucial aspects of apprenticeship and traineeship programs are often poorly implemented. Further scrutiny of existing regulations is required to ensure the best aspects of the current legislation are enforced.

11. Should casual employees be able to enter into training contracts for an apprenticeship or traineeship?

- Casual employees should not be able to enter into apprenticeship or traineeship training contracts. It is vital that individuals entering these programs are granted a security of employment that encourages them to remain in their training program. Any move towards a casualisation would likely result in an increased discontinuation rate, and not a higher retention rate of apprentices.

12. Should independent contractors be able to undertake an apprenticeship if they were able to nominate an independent qualified person as their supervisor?

- Independent contractors should not be able to undertake an apprenticeship in any circumstances. In allowing this, the Act would be further eroding the virtues of the current system in favour of a more complicated system with less desirable outcomes in terms of apprenticeship continuation and skills development outcomes.

13. Are there measures that could be taken to simplify the current process of establishing apprenticeships or traineeships?

- Any measures that are taken to simplify the current process of establishing apprenticeships or traineeships should take into account the broader need for a well regulated apprenticeship and traineeship program, and for regulations to be adequately enforced. Any alterations to existing legislation that over simplify the process risks undermining the quality of the educational outcomes desired in any apprenticeship and traineeship program.

14. Is there a need for the Act to deal with the roles and responsibilities of a third party acting on the employer's behalf in relation to the establishment of apprenticeship or traineeship arrangements?

- The NSW Government should reserve the ability in the Act to oversee the establishment of apprenticeship and traineeship arrangements in all circumstances, including during cases in which third parties are acting on an employer's behalf.

15. Should the definition of 'junior' be changed to persons less than 18 years of age?

- The definition of junior should remain as it currently stands. Any adjustment to this definition is unwarranted and risks encouraging the exploitation of younger workers. Changing this definition risks negatively impacting the number of apprentices being employed.

Topic 4 - Training contracts are binding

16. Is it appropriate to maintain the classification of trainee apprentice?

- No, the classification of trainee apprentice is not a vital component of legislation. A preference in any reform should be towards a more harmonised classification system when it comes to apprenticeships and traineeships.

17. Should the binding clause only apply while the employment relationship is in place?

- Binding clauses serve a role in some cases, however, there needs to be sufficient flexibility to allow mutual separation. This process should be overseen by the Vocational Training Review Panel.

18. From an industrial perspective, can an apprenticeship exist without employment?

- This submission fundamentally rejects the notion that future legislation should enable apprenticeships to exist outside of employment. In doing so, retention of apprentices would be further diminished, and individuals would opt for alternative education paths as opposed to unpaid training programs. De-coupling apprenticeships from employment is, in essence, an attempt to move towards an

unpaid internship model for apprentices and trainees. Such a maneuver would be unprecedented in Australia and internationally, and would fundamentally diminish the quality of New South Wales' apprenticeship and traineeship programs, worsening the States' skills shortage over the long term.

Topic 5 - Roles and responsibilities

19. . Is the Act or the Department's policies and procedures regarding the roles and responsibilities of the parties too prescriptive?

- The Act is not currently too prescriptive. The responsibilities of all parties involved are generally well understood. Any adjustments to the Act that the responsibilities of the parties less clear risks complications and confusions.

20. Are the roles, responsibilities and obligations of all organisations, bodies and individuals who are routinely involved in influencing apprenticeship and traineeship commencements and completions covered adequately?

- The roles and responsibilities of entities such as Registered Training Organisations and the Australian Apprenticeship Support Network organisations need to be further outlined in the Act.

21. Are there any terms or references, which routinely influence apprenticeship and traineeship commencements/completions, not adequately accommodated for in the Act?

Should there be any distinction between the hosting arrangements for Group Training Organisations and other employers?

- Group Training Organisations should need to demonstrated their ability to engage adequately with employers in their respective industries. Some GTOs do not have the adequate relationships with the industry required to achieve the highest quality educational outcomes.

22. Does the Act or the Department's policies and procedures adequately deal with the role of a registered training organisation and their responsibilities in supporting the conduct of an apprenticeship or traineeship in a manner that meets the needs of the learner and the employer?

- Registered training organisations should be extended greater support to ensure the quality of training is at an appropriate standard. The Department should be allocated sufficient resources to ensure this.

Topic 6 – The development of a training plan

23. Does the Act or do the Department's policies and procedures create any barriers or impediments for the organisations, bodies and individuals involved in the development and use of the Training Plan?

24. Does the Act adequately deal with the roles, responsibilities and obligations of the registered training organisation, concerning the development of a Training Plan consistent with the National Training Plan Template?

25. Should the Act identify the roles, responsibilities and obligations for registered training organisations to support the employer, apprentice/trainee in the apprenticeship or traineeship system or is the current policy sufficient?

- (In response to questions 23, 24 & 25). In its conversations with industry stakeholders, The McKell Institute identified few impediments to the *development* of training plans by organisations, bodies and individuals. However, while training plans are often being technically created at some stage, they are rarely adhered to, and there is little *enforcement* of by the Department of the training plans as they exist.
- Training plans must always be adapted to individual circumstances, and not overly general as to dilute their utility. Training plans should also be limited to a consolidated time period.
- It is the lack of Departmental and Industry enforcement of the training plans that lead to poor training outcomes, and in reforming the Act to improve the virtues of the training plan, the Department should consider a greater allocation of resources to monitoring and enforcing training plans as they exist under current regulations.

Topic 7 - Cancellation of apprenticeships and traineeships

26. *Are there any circumstances where it is appropriate for the Commissioner for Vocational Training to instigate the cessation of an apprenticeship or traineeship training contract, subject to the affected parties being given an opportunity to:*

- *make representations to the contrary if they so choose?*
- *show cause why the training contract should not cease?*

27. *Are there other methods of cancelling and re-establishing training contracts that the Department should consider?*

- (In response to questions 26 & 27). In extreme circumstances, there should remain the capacity to cancel apprenticeships and traineeships if the trainee or apprentice is

willingly subverting the program, employers reserve the right to terminate a contract. However, it is vital that apprentices are given the chance to work through any challenges associated with their apprenticeship program, and have adequate Departmental oversight to ensure that apprentices experiencing problems with their program can seek early intervention before their dismissal. Apprentice employment should also be safeguarded as to ensure employers avoid recklessly cancelling the employment of apprentices. Apprentices who do find themselves in a position where their apprenticeship is being cancelled should have an avenue through which they can appeal such a decision to avoid cases of wrongful dismissal.

Topic 8 - Certification

28. Should the issue of Craft Certificates and Completion Certificates be discontinued and only the Certificate of Proficiency be issued upon successful completion of the on the job training and the qualification?

29. Does the granting of a Craft Certificate assist/benefit individuals in gaining relevant skilled/trade employment?

30. Does the granting of a Craft Certificate assist/benefit employers in determining an individual's suitability for skilled/trade employment?

- (In response to questions 28, 29 and 30). It is this submissions recommendation that the Craft Certificate certification be reconsidered in the Act. The craft certificate certification as it currently stands often results in individuals being granted invaluable accreditation that does not demonstrate the level of skill required by industry. There is similarly confusion between New South Wales's 'Craft Certificate' certification, which is a lower level certification, and the certification 'Craftsman Certificate', which is a higher level qualification that is available in international jurisdictions such as Germany and Switzerland. It is important to recognise that

many holders of Craft Certificates are unaware that their certification is not as high standard as a full apprenticeship qualification. This certification is resulting in under skilled individuals working within the trade industry in New South Wales.

Topic 9 - Registration of group training organisations

31. *Should the Act continue to provide for the registration of group training organisations?*
32. *Are there any other measures required in the Act or through Departmental policies and procedures to deal with the legal employer as identified on the training contract who relies solely on host employers or worksites outside of their management control, to meet their employer obligations, such as: o labour hire companies of employers that operate as if they are labour hire companies a group of employers who share the responsibilities for on the job training?*
- (In response to questions 31 and 32) Registration for group training organisations (GTOs) should continue under the Act. GTOs provide an important role in providing adequate training for apprentices and trainees across New South Wales, and the Act should continue to enable adequate oversight of these organisations.

Topic 10 - Dealing with disputes, complaints and appeals

33. *Can decisions made under delegation by Training Officers be reviewed internally without the need for a Review Panel?*
34. *With the introduction of the NSW Civil and Administrative Tribunal does the VTRP remain the most appropriate body for resolution of complaints?*

35. *Should the Act include provision for a complaint to be made against a person or body, other than an employer or apprentice/trainee: o where their actions have put the successful completion of an apprenticeship/traineeship in jeopardy? o where they have failed to comply with the Act?*
36. *Are there particular situations, roles, responsibilities not adequately dealt with under Act's existing arrangements for dealing with complaints or disputes?*
37. *Should the Act include provision for the resolution of dispute/complaints resulting from a registered training organisations failing to meet their obligations under an apprenticeship/traineeship training plan?*
- The Vocational Training Review Panel continues to serve an important role in administering disputes between trainers and trainees. Any changes to the Act should not undermine the importance of the VTRP.

Topic 11 - Sanctions

38. *Are there alternative sanctions that should be applied under the Act or through Departmental policies and procedures?*
39. *Are there particular responsibilities, obligations and actions that routinely influence apprenticeship and traineeship commencements/completions that should be identified for inclusion for management under a sanctions regime under the Act?*
40. *Should the sanctions regime in the Act establish different categories of seriousness with appropriate sanctions to match, such as: prohibition, suspension/limitation or monetary fines or financial restitution o other?*
- (In response to questions 38, 39 and 40). It is the position of the Electrical Trades Union and The McKell Institute that of course organisations that do not comply with should be imposed with significant sanctions.

- Employers who continue to violate existing regulations should have their ability to employ apprentices and trainees removed.

Topic 12 - Trade Recognition

41. *Should the Act continue to have a mechanism to enable an individual to apply for trade skills recognition or should trade skills recognition be undertaken through Departmental policies and procedures?*

42. *What is the benefit to individuals or employers of granting of a Craft Certificate?*

43. *Does the provision for trade skills recognition provide individuals, industry and employers with a worthwhile alternative to the apprenticeship system as a means to gaining a trade qualification?*

- (In response to questions 41, 42, & 43). Training Services NSW defines the Craft Certificate as the following:
 - *[The craft] certificate is awarded to apprentices who complete the term of their training contract (the employer agrees that you have successfully completed your on the job training) but have not been awarded the appropriate qualification by their registered training organisation¹⁶.*
- The Craft Certificate system as it currently stands is a cause for significant concern, and in many cases, the existence of the qualification is leading to individuals working on-site without the appropriate qualifications.
- It must be noted that a 'Craft Certificate' in Australia has a significantly different connotation to international qualifications with a similar title, such as a 'Craftsman

¹⁶Training Services NSW, 2016. 'How do I get a proficiency or trade certificate?' Accessed online September 15 2016, https://www.training.nsw.gov.au/individuals/apprenticeships_traineeships/self_help/proficiency_cert.html

Certificate' which is a qualification found in other jurisdictions, particularly in Europe. Internationally, 'Craftsmen Certificates' often refer to a higher qualification that expands beyond the qualification received at the end of a formal apprenticeship. In New South Wales, however, a 'Craft Certificate' is a lower qualification – one that does not require that same level of skill as will be attained during a formal apprenticeship.

- The result of this qualification is that individuals – often those migrating to Australia from other jurisdictions – are receiving a qualification that is sub-standard, and not suitable for supervision-free employment on many workplaces in New South Wales. To make matters worse, many of these workers who receive a 'Craft Certificate' qualification is not aware that the certificate is not as high a standard as a full license.
- It is the recommendation of this submission that the Craft Certificate is removed from the Act, and that the Department cease issuing Craft Certificates.

Topic 13 - The Regulation

44. Are there matters in the Regulation that should be contained in the Act?

45. Are there additional matters that should be included in the Regulation?

46. Are there matters in the Regulation that should not be regulated?

- *(In response to questions 44, 45 & 46).* Any inclusion of existing regulation into the Act must additionally enforce the regulations oversight by the Department and by apprentice and trainee supervisors. The NSW Government should consider incorporating the monitoring of training plans into the Act.

Conclusion

This submission has outlined the impact of apprenticeship discontinuation on New South Wales, re-emphasised the importance of a well regulated apprenticeship and traineeship framework in ensuring higher retention rates, and offered considered responses to the consultation paper put forward by the New South Wales Government in relation to proposed changes to the *Apprenticeship and Traineeship Act 2001*.

It is essential that any reforms to the apprenticeship and traineeship framework in New South Wales are informed through evidence, and do not undermine the best, most successful attributes of the New South Wales model. Many of the statements in the consultation paper put forward by the Government, if manifested into future legislation, could fundamentally undermine apprenticeships and traineeships in New South Wales, lead to fewer individuals entering such program, inflicting significant economic damage on the state, and exacerbating the skills shortages already observable throughout New South Wales.

The core aspects of the apprenticeship and traineeship model: coupling paid on-the-job training with off-site education, and the four-year apprenticeship model, are sound. Suggestions that these core aspects of the framework should be removed would diminish the educational outcomes in such programs, and worsen the skills shortage issues in the state.

This submission emphasises the importance that existing regulations be better enforced and monitored. It is this lack of oversight that is the genuine driver of apprenticeship discontinuation in NSW. Any adjustments to the Act that seek to improve apprenticeship and traineeship retention through excessive deregulation of the framework will likely have the opposite result to that which is desired.

It is essential that apprenticeship and traineeship completion rates improve in New South Wales. This can only be achieved by improving the existing framework through evidence

based approaches, and the strategic allocation of additional resources. This submission endorses the goal of the New South Wales Government to achieve higher rates of completion for apprentices and trainees in the State. However, this submission also expresses serious concerns as outlined in Section 5 regarding certain approaches to this reform the Government is pursuing.

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