Review of the Apprentice Incentive System

AMWU

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Introduction

The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to contribute to the Strategic Review of the Australian Apprenticeship Incentive System.

The AMWU represents 55,000 members across every region and city in Australia. We build, maintain and repair in a diverse range of industries and sectors including rail, ships, aerospace, food processing, print and packaging, mining and energy production.

The AMWU has had an opportunity to read the submissions of the ACTU and supports its recommendations. The *Australian Apprenticeships Priority List* include trades and significant skills gaps in Australia which are essential to manufacturing industries and that are foundational trades of the AMWU.[1] These include civil engineering trades, graphics pre-press trades workers, joiners, metal fabricators, sheet metal trades workers and vehicle tradespeople.

Background

As part of addressing the apprentice deficit, it's essential to consider the broader context and emerging factors that will further increase the demand for skilled trades in Australia.

The current challenge is addressing historical erosion of the training and skills framework whilst also addressing the prospect of an ageing trades workforce in a rapidly evolving economy that is accelerating its decarbonising efforts.[2] These failings of the apprenticeship system, as a whole, are particularly felt in the trades and membership of the AMWU.

The measures announced in the federal budget delivered on 13 May 2024 are prescient in relation to the supports necessary for apprentices. Initiatives such as the Future Made in Australia program and the National Reconstruction Fund, which are aimed at boosting domestic manufacturing and infrastructure development, are certainly welcome. However, they also highlight the sectors in the skilled workforce needed to meet that demand that are under-resourced, including construction, manufacturing and mining. Australia's reliance on skilled migration will no longer suffice, as countries worldwide face similar challenges.

The shift in focus to AUKUS and subsequent work in the building of eight nuclear-powered (but not nuclear-armed) submarines has been estimated to create 5,000-6,000 jobs at the Osborne Naval Shipyard alone. The Australian Shipbuilding Federation of Unions (ASFU) reported in 2022 that the build would create approximately 4,690 jobs in and around the South Australian shipbuilding precinct at Osborne, which will support thousands of supply chain jobs around the country, including an estimated 2,010 jobs in Western Australia. That equates to more than 30 years of continuous naval shipbuilding work.

The opportunity to establish an Engineering Centre of Excellence to train the highly skilled shipbuilding workforce of the future will mean hundreds of apprenticeships, traineeships and graduate positions, and $183 billion in industrial investment.

It is our view that the current skills deficit is a direct result of the transactional nature of the apprenticeship system. This has undermined the purpose and scope of a training and skills framework intended to create a skilled and well-paid workforce, and in particular the ability of apprentices to maintain a decent and dignified standard of living.[3]

Effectiveness of the incentive system in helping the take up and completion of apprenticeships and traineeships

An incentive system focused on employers alone is not delivering on the job that it is meant to do. Incentivising employers alone with payments for the take up of employees undermines the rationale of skilling workers. It has primarily operated to provide subsidies to employers to take on cheap labour at the cost of workers.

A study undertaken by National Centre for Vocational Education Research (NCVER) in 2020 found strong support amongst employers, training providers, apprentices and apprenticeship regulators for maintaining the current elements of apprenticeship training for the traditional trades, including a formal training contract and combined on- and off-the-job training. Suggested improvements to this regime commonly regarded adjustments to this approach, rather than any fundamental shifts.[4] This highlights an accepted standard that must undergo change in favour of workers seeking pathways to become highly skilled in a trade.

Further, what is qualitatively different since 2020 is the changed context in which that same apprenticeship structure exists.

This context is broadly characterised by a 'post-pandemic' economic environment of increased cost-of-living pressures experienced by apprentices and worsening perceptions about trades-based careers, in part due to policy decisions of the previous federal government to defund vocational education and training (VET) and push more school leavers towards tertiary education.

The most recently available NCVER data from September 2023 (summarised in Table 1 below) indicates that the total number of apprentices in the year since September 2022 decreased by more than 36,000. Even where commencements increased in 2023, the number of completions compared with 2022 was virtually the same – at just over a third of total completions. Cancellations and withdrawals decreased in this same period but still comprised a large proportion of the total apprentices in training, indicating overall decline in the numbers of apprentices going into skilled trades. The long-term trends in commencements and withdrawals suggest that the current incentive system settings require recalibration.

Table 1. NCVER data on apprenticeships (September quarter for 2022 and 2023)

Year	Apprentices in-training	Commencements from previous year (%)	Completions from previous year (%)	Cancellations/ withdrawals from previous year (%)
2022	402,245	-41.3	33.4	28.1
2023	365,420	22.2	0.5	-10.5

In the AMWU's experience, the withdrawal of apprentices from an apprenticeship is largely driven by low pay, failure of meaningful training by employers, and the situation where a training contract is abandoned by the employer with no readily available or simple recourse for the apprentice to challenge the decision. This embeds the exploitative nature of the incentive system whereby employers take on apprentices in the first or second year and subsequently cancel the arrangement. The labour of apprentices is being used as the cheapest form of labour employers can lawfully hire in Australia.

The power disparity between the apprentice worker and the employer means that there is a lack of consequences for the employer other than a minor HR matter. If that employer were to repeat the model, under the current system there is no prohibition on the payment of the incentive for such an employer.

It is within this context that most apprenticeship incentives go to employers. A payment approach entirely directed at employers – rather than increasing supports to apprentices themselves and ensuring they are incentivised to complete their apprenticeship – does nothing to ensure the commencement or retention of apprentices. Some of the clear negative impacts of this structure to the incentives system were known to apprentices that the AMWU surveyed.

Aeden – 3rd Year Apprentice Fitter Machinist, WA

"It's funny because employers are the first to cash out on their incentives but won't tell you about the ones that could help you. Have you heard of MGT? MGT is WA's apprentice provider, middleman between the employer and TAFE. They cash in the incentives and essentially take the piss. We aren't told anything or, if anything, they try and cash you out by giving 'loans' but they are MGT loans not government ones. Most of my mates have been offered these MGT loans. Should be illegal."

In NCVER's 2020 study, one employer highlighted their disappointment at the government ignoring the efforts of employers that had consistently taken on apprentices for many years. Their claim was that the government was not favouring such employers through the incentives system despite consistently taking on apprentices in trades that are experiencing skills shortages.[5] High-quality employers were therefore not competitive, despite many other employers letting down apprentices whilst claiming incentives anyway.

One employer, who had been "religiously" taking on apprentices for the past 20 years showed disappointment that the 'additional incentive skill shortage payments' previously payable by the federal government, were not made available to employers with a long history of hiring apprentices (including trades experiencing skills shortages). In their view, the government should be rewarding long-standing employers of apprentices, rather than ignoring their efforts.

The AMWU believes that one clear change to existing incentives in the apprenticeship system should therefore be to make clearer distinctions between bad employers and those employers taking on apprentices in good faith and in areas of greatest need to sustain and develop a high-skilled workforce in Australia.

The system fails to recognise employers who consistently provide quality apprenticeship experiences, particularly in trades identified as experiencing skills shortages. A 'tiered' approach that benchmarks employers as high performing, average performing and poor performing, or on a similar scale, would create conditionalities upon which employers could access incentives. This could be structured in a way that ensures the bulk of incentives available to employers goes to those that are dedicated to maximising the apprentices' experience, their skills development and, more broadly, the relevance of their qualifications to advancing Australia's industrial economy.

Apprentices are acutely aware of the fact that employers receive incentives from the government to take them on. Yet at present, the system that incentivises employers to increase the rate of commencements does little to support apprentices as they progress through their program.

This system is working at the cost of young people becoming interested in apprenticeships from school age, inhibiting the system designed to create high-skill jobs and careers for thousands of Australians, and set them on a suitable career path instead of university pathways, that can leave some with negative impacts that are only realised later in life.

Abbie-Rose – 3rd Year Fitter & Turner, NSW

"… TAFE teachers will tell us they [employers] get paid so much money to hire us … $80 an hour to have one of us and we get a fraction of that. And they don't contribute much; we know they are our employer but that's it. We speak to TAFE more. There are so many incidents where you don't even bother talking to your employer. They are there but they are not there."

Kimbelee – 1st Year Apprentice Mechanical Fitter, VIC

"To be honest, I think there needs to be more awareness of apprenticeships. I'm in my 30s and I'm only just finding out about how much we can do now. In school it really pushes students to university and getting a degree. It needs to be made clearer that trades are an option. I wish I had known these things sooner; I would have 10 years experience on me now."

The AMWU notes the recent announcement in the May 2024 budget of $265.1 million over 4 years to increase apprentice incentive payments and hiring incentives for priority occupations until July 2025. Allocation of these funds to employers should be accountable and actively discourage the exploitation of the system for short-term financial gain.

Recommendation 1

1. **Adopt a tiered incentive system that distinguishes between employers based on their performance and commitment to providing quality apprenticeship experiences.**

Provision of quality training: employer-first models

The AMWU takes this opportunity to inform the review of employer-specific training programs. These traineeships are designed specifically for employment in their enterprises. One such model is BHP's FutureFit Academy, which is intended to provide training programs designed to assist BHP employees to acquire trade qualifications for work in the resources and related sectors. The training programs are also available to the broader public.

Although the model presents itself as a training organisation to train and upskill workers for the broader job market in addition to BHP, the AMWU has deep concerns about the suitability of the training curriculum and the disservice it presents to students who enroll in the program.

The qualifications provided by BHP's FutureFit Academy are not recognised qualifications outside of BHP. For example, the Certificate in Engineering Plant Technology offered in the program is a bespoke qualification specific to BHP and not transferable nationally. The training was delivered solely on and for equipment used by the company, and therefore not relevant at other workplaces where the equipment is not the same. Consequently, graduates lack essential competencies, for example, in tasks such as disassembling and reassembling components, which can compromise safety requirements at sites and puts workers at risk of injury.

There is an absence of real-time of on-the-job training, which is the fundamental ethos of apprenticeships. The training takes place in a controlled and predetermined environment, within a purpose-built facility, without exposure to uncontrolled, real-world situations. The training and assessment are not conducted on equipment or vehicles that are used in real-life mining operations. Training scenarios are specific and predetermined, which deprive students of the ability to develop skills in diagnostics, fault-finding and handling unexpected situations.

When deployed to site, many of the graduates from the BHP FutureFit Academy were not considered fully trained. This is because curriculum modification or competencies were altered without consideration resulting in gaps in learning for the students and therefore compromised qualifications.

Graduates of BHP's FutureFit Academy were found lacking in the full suite of competencies as required by the relevant trade qualification, resulting in an inability to perform the necessary work. Some faced backlash and hostility from other workers on-site, who did not consider the graduates as "real fitters" and overall distrusted their abilities. They were made to feel as if they were "glorified trades assistants" unable to work in the trade they thought they were trained for.

Cost-of-living pressures, state and federal supports for apprentices: impacts on apprenticeship take-up and completion

Apprentices who are not yet adults generally earn less than the National Minimum Wage (NMW) during the course of their apprenticeships. Additionally, some adult apprentices also earn below the NMW threshold. When considering the inconsistent effectiveness of various support programs, wages and supports for apprentices, this evidently fails to meet the current standards necessary for a sustainable livelihood.

Government supports for priority occupations, while welcome, are not well known among school leavers or older apprentices.[6]

Additionally, the longer time commitment, and consequently lower wages for trade apprenticeships contribute to greater economic precarity for such apprentices as well as the overall erosion to retention rates.

In 2018, the AMWU conducted a national survey of apprentices.[7] Of the total responses, most participants were concerned with low apprentice pay rates, the cost of tools, a lack of proper mentoring, a lack of opportunity to practice skills in the workplace and the poor quality of training as the main issues they faced.

Issue of importance	Responses (%)
Cost of tools	83
Working conditions	74.3
Poor quality training	74
Low apprentice pay	72.7
Bullying & harassment	66.7

These finding remains consistent in the current climate. In 2022, the Electrical Trades Union (ETU) surveyed more than 600 electrical apprentices to find that many considered leaving their apprenticeship due to cost-of-living pressures. The impact of low apprentice wages played a significant factor with apprentices unable to meet basic needs like food, transport costs and housing.

There was an apparent lower response rate of apprentices citing cost-of-living pressures as an issue when they were employed on a union enterprise agreement.[8]

Interviews with apprentices who were also AMWU members gave insight into cost-of-living pressures experienced by apprentices presently.

Marcus – 3rd Year Apprentice Diesel Mechanic, Qld

"I had to move back in with my parents. It was impossible for a while there. Even the prices of houses are absurd. As an apprentice, how am I supposed to achieve this long-term goal? Most of my pay. That is all on top of buying tools, groceries, fuel, registration."

Aeden – 3rd Year Apprentice Fitter Machinist, WA

"I speak to my mates at TAFE and they can't afford to live on the bare minimum. It's shameful. Even if you're in or out of home, it's hard to live on. You can't pay rent. You can't live on that."

In the wake of the COVID-19 pandemic and subsequent cost-of-living issues, including wage stagnation driven by a profit-price spiral (employer profits), we can reasonably expect that these issues continue to impact apprentices in 2024. The 2018 survey found 43% of respondents struggled to pay bills, with cost-of-living pressures and wage stagnation affecting the lowest paid workers (including apprentices) most of all. We can also reasonably expect that the percentage of apprentices struggling with living costs has increased well beyond this figure. At the broadest level, the AMWU views award wages and the NMW rate, which provides starting apprentices with sub-minimal wages, as an unjust and unsustainable wage outcome for apprentices, whether they are school leavers just entering the workforce or older cohorts looking to take up a trade. The systemic underpayment of apprentices feeds the exploitative model of cheap labour for unscrupulous employers lawfully paying less than minimum wage for labour.

Australia's industries face significant skills shortages in traditional trades. There is greater competition across industries to attract the youth demographic into employment, as more young people pursue tertiary education due to policy decisions of recent governments to influence young people towards higher education pathways.

This is a very concerning trend, especially at a time when hundreds of thousands of skilled tradespeople will be needed over the next decade if Australia is to decarbonise its economy, transition to renewable energy powered industries, and lift the nation's productivity to ensure Australian society remains a prosperous one.

School retention strategies have resulted in increasing the age of apprentice commencement as well as their entry level skills. This presents problems where older school leavers compare the starting wages of an apprenticeship with work in other sectors, and are subsequently disincentivised from commencing their apprenticeship pathway. Adult workers looking to reskill in a decarbonising economy will be faced with the choice of earning less than the minimum wage to support themselves or their families.

Essentially, the relative value of apprenticeship wages against other readily available employment, and against other contracted training-based arrangements (such as traineeships under the National Training Wage award) in tandem with the increasing age and entry level skills of applicants, is reducing the pool of prospective applicants.

AMWU analysis of recent enterprise agreements covering a wide breadth of manufacturing apprentices show that they do not adequately meet increasing cost-of-living pressures. Data from the Fair Work Commission for enterprise agreement approvals lodged between 24 February and 22 March 2024 (the most recently available report at the time of submission) shows that of 397 total lodgements, just 6.7% were linked to the Consumer Price Index, covering just 0.9% of employees. Of these lodgements, 16 total agreements related to the manufacturing and associated industries, covering 626 total employees, with 3.7% linked to an average annualised wage increase (AAWI). Only 7 of these agreements for the manufacturing sector delivered consistent wage increases, and a further 4 provided higher wages on commencement.

For those apprentices not covered by an enterprise agreement, it is far more likely for an employer to pay minimum award rates, meaning wages do not cover the bare necessities that includes tools and other equipment that are essential for apprentices in being able to undertake their apprenticeship.

Under such circumstances and when viewing the cost-of-living crisis as the sum of these parts, it becomes clear why trades are failing to attract apprentices at a time of such significant need. Cost-of-living increases are far outstripping the commencement wages that all apprentices (not to mention trainees in other sectors) can expect to receive.

With such a miniscule proportion of workers, including apprentices, being covered by enterprise agreements that still fall painfully short of reflecting cost-of-living increases, there should be no question why a VET pathway should be preferable to either full-time, casual, or part-time work whilst undertaking tertiary education studies that come with deferred-payment options.

This can present school leavers with a predicament that may only manifest later in life, whereby an apprenticeship completion qualifies them with a skilled trade and access to higher-paying jobs and career progression, as well as further study opportunities; whereas higher-paying work immediately after school is most commonly unskilled and results in no qualification pathway to higher wages or employment opportunities. Furthermore, the tertiary education pathway leads to higher levels of debt repayments when qualifications are completed, and full-time professional careers are commenced.

Despite this, most schools do not even give students the option of pursuing an apprenticeship after school, with most career advice steering them towards university. In the experience of one apprentice, had they not gained knowledge and experience of what a trades career might look like, they would have struggled both through high school and post-secondary tertiary pathway into work.

Marcus – 3rd Year Apprentice Diesel Mechanic, Qld

"In school they don't offer it [apprenticeship pathways] to you. It is awful. However, once you find your way outside of school it is the best thing ever. People need to know more about it. I get paid to learn every day. It is a no brainer to me. They will teach you anything you need to learn. They will give you what you need and find the time to give you that training to the best of their abilities. It is amazing. It is the life I love."

Simpler improvements to the system that direct payments to apprentices to cover the costs of the tools required to learn their trade would make a major impact on the ability of an apprentice to manage cost-of-living pressures.

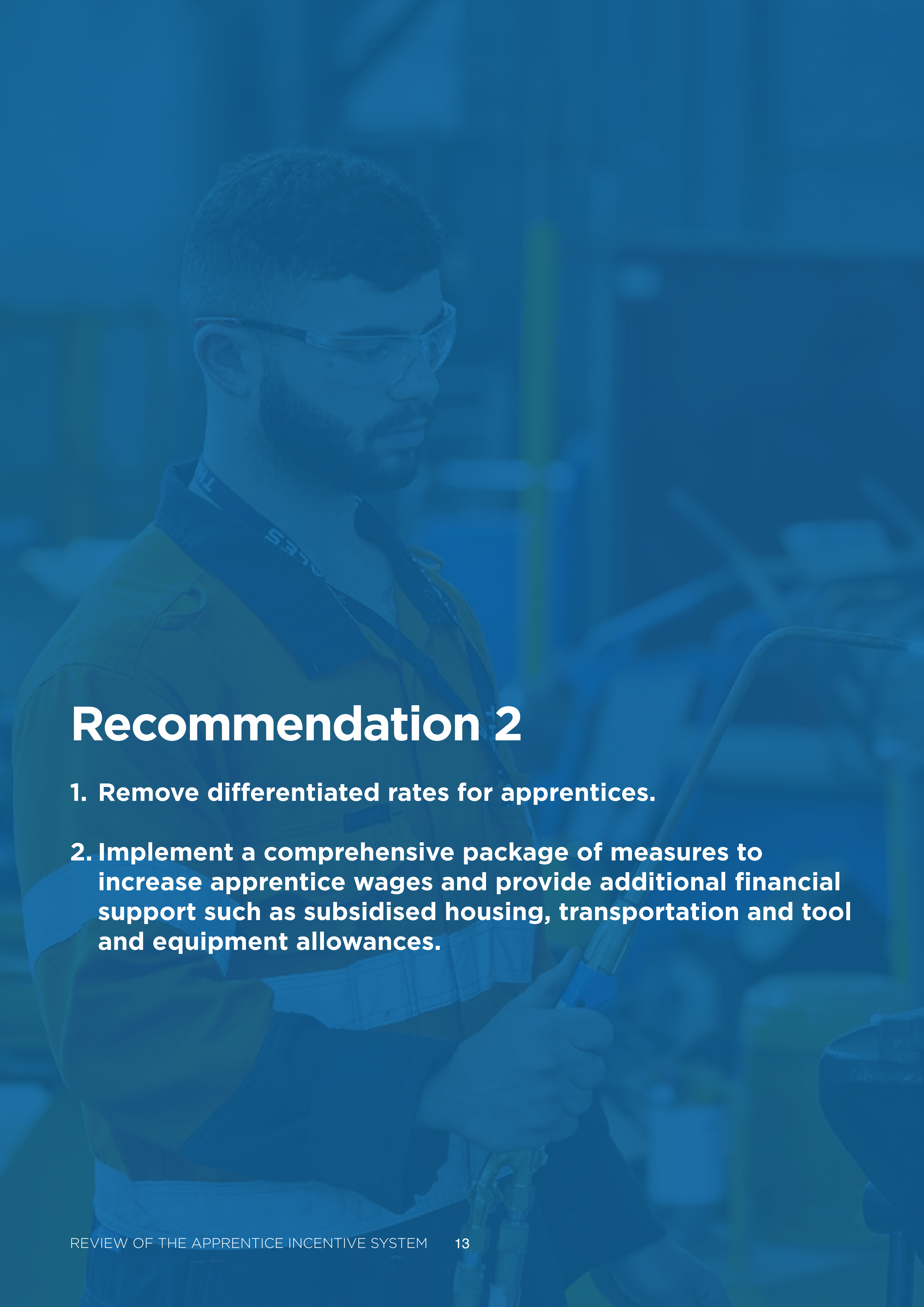
Kimbelee – 1st Year Apprentice Mechanical Fitter, Victoria

"The tool allowance needs to be bigger ... I do not buy lunch, I do not go out, I budget intensely, and I still cannot afford to buy tools. Tools take up half your wage. There are some extremely expensive tools out there that you need to do your job. If you don't have the tools to do your job, how are you going to do your job?"

Additionally – and of critical importance to the renewable energy transition – allowances paid to apprentices for undertaking work away from home would also alleviate the stress of travel and/or accommodation as well as living expenses of those apprentices compelled to move away from their geographic area due to large-scale renewables projects getting underway; for example, offshore wind, hydrogen power, steel works and other advanced manufacturing industries and ventures.

There is a strong case for an increase to apprentice wages so that a critical part of ensuring the VET system is sustained and fit-for-purpose, considering the ongoing cost-of-living crisis that makes it prohibitively high for apprentices to undertake or complete their apprenticeship. The AMWU supports a significant increase to apprentice wages beyond the scope of this inquiry and we acknowledge that the correction of this issue will require a suite of legislative changes including the setting of wages for apprentices, beyond the scope of this particular review.

However, the AMWU considers removal of the differentiated rates of pay for apprentices, particularly for workers who are not yet adults, as a necessity to address the corrosive effect of poor pay on the apprenticeship system. A more immediate intervention to provide relief to apprentices would be a direct payment to apprentice workers that will close the gap between their rate and NMW.



Recommendation 2

1. **Remove differentiated rates for apprentices.**
2. **Implement a comprehensive package of measures to increase apprentice wages and provide additional financial support such as subsidised housing, transportation and tool and equipment allowances.**

Supports in training environments: barriers to inclusivity

The misalignment between Australia's needs for a highly skilled workforce, poor support for apprentices and a misconception of who an apprentice can be creates a situation where there appears to be more barriers than opportunities.

Apprenticeships are in danger, if not already, of being stigmatised as an exploitative model of work and perceived as workplaces with poor culture. A lack of knowledge about the potential career pathways available in trades or through apprenticeships contribute to this perception – though that is not to say that there is not enough information. The problem arises where the abundance of information can be difficult to navigate for people outside trades, skills or training industries. Biases about who an apprentice is or should be, inadvertently creates barriers for entry into apprenticeships.

Recent research conducted by the NSW Government's Department of Education examined the participation of women in non-traditional trades[9]. It revealed complex and difficult to understand information for girls looking for trades, unfamiliarity with VET pathways and informal recruitment channels were identified as barriers for participation and uptake in trades.[10] This research is emblematic of the challenge in diversifying apprenticeship uptake across all cohorts of workers.

Skilled migrants who arrive in Australia face significant barriers in securing employment that aligns with their qualifications or work experience in Australia. Even though their qualifications may have been acceptable for visa purposes, they often struggle to find employment commensurate with their skill set due to various reasons, such as non-recognition of their qualifications by employers or a lack of local experience.

For these skilled migrants who may consider pursuing an apprenticeship, in order to move to a different job, the low pay associated with apprenticeships can be a significant deterrent. Despite the demand for their skills, the low apprentice wage rates can make it financially unviable, especially if they have family or financial obligations. Migrants reported facing discrimination based on their race or cultural background. This acted as a barrier to securing suitable employment. The absence of local professional networks and work experience in Australia was seen as a significant hurdle for migrant job seekers.

These barriers are highly relevant when considering the potential for skilled migrants to take up apprenticeships.

Potential apprentices including school leavers and older workers with increased levels of responsibility will be better retained in the apprenticeship system where meaningful supports such as childcare support, payments for remote and regional areas or enforceable benchmarks for employers to weed out poor workplace culture and practice are adopted.

NCVER's 2020 report summarising findings from the VET sector was accompanied by another that focused more specifically on what was working and what was not working in the incentives system. Overwhelmingly, employers identified the importance of practical improvements, as opposed to financial ones, such as more consultation between training providers and employers on how best to schedule off-the-job training, and to ensure that apprentices were learning the most up-to-date skills on the most advanced technologies – all of which would ensure that their employability and capability to participate strongly in their post-qualification careers.[11] These findings are reflected in the 2018 survey, where 74% of AMWU apprentices identified workplace culture as an issue of importance.

Recommendation 3

1. Explore opportunities for adult apprentices to undergo condensed or accelerated apprenticeship programs that will account for their qualifications and experience.

2. Enhance career guidance programs in schools and job centres to actively promote apprenticeship opportunities and dispel biases about who can or should pursue a trade.

3. Implement a comprehensive package of measures to increase apprentice wages and provide additional financial support such as childcare support suitable for adult workers with responsibilities.

Conclusion

Apprentices are essential to the VET system when considering the Australian government's advanced industrial ambitions to create high-value industries, and high-skill, quality jobs for workers in Australia. An apprenticeship system that works to directly support the apprentices themselves, not just the employers, is critically important. It's also a system that desperately requires reform if Australia's economy is to have any chance of resembling our social and economic aspirations.

The apprenticeship system must treat apprentices with the respect and consideration they deserve and support them in the ways they need so that they can support Australia's industrial future.

Aeden – 3rd Year Apprentice Fitter Machinist, WA

"I think when you look at it in the grand scheme of things, I'm the next generation building things. That's a lot to take on. Best part is getting to work with new technology and seeing the industry changing."

References

1 Effective January 1, 2024

2 In 2021, around 23% of tradespeople were aged 55 years and over based on ABS data.

3 The term apprentices incudes trainees unless specified otherwise.

4 NCVER, 2020: *Traditional trades apprenticeships: learnings from the field.*

5 NCVER, 2020: *Traditional trades apprenticeships: learnings from the field.*

6 https://www.apprenticeships.gov.au/support-and-resources/financial-support-apprentices-priority-occupations#what-is-a-priority-occupation-1

7 97.5% of respondents held AMWU membership

8 https://www.etunational.asn.au/2022/08/30/survey-results-reveal-cost-of-living-pressures-and-lack-of-mentorship-causing-apprentices-to-consider-quitting/

9 Defined as a trade where less than 25% of apprentices or worker were women.

10 Life phases: Women in Trades NSW behavioural Insights NSW Government https://www.nsw.gov.au/sites/default/files/noindex/2024-04/life-phases-report-women-in-trades.pdf

11 NCVER, 2020: *Trade apprenticeships: what's working and what's not.*