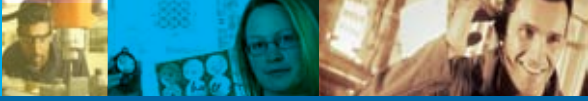


Contemporary Apprenticeships for the Twenty First Century

July 2005





Message from the Chief Executive



Vision

To have an apprenticeship system
that meets the complex skills
development needs of industry
both now and into the future.

This will result in individuals
gaining more relevant skills, more
efficiently which will reap benefits
to industry and individuals alike.

Contemporary Apprenticeships will
be genuinely competency-based,
have flexible entry and exit points,
including higher qualification level
outcomes, and customised to meet
enterprise requirements.

Australian industry is facing many challenges, none more daunting than the current skills shortages which are limiting the capacity of businesses to grow strongly. Immediate action needs to be taken to address this urgent national problem. As increased training effort is one of the solutions it is timely to reconsider one of the building blocks of training – the apprenticeship system.

Nearly all trade training is undertaken through apprenticeships and while apprenticeships will in all likelihood always be an important training pathway, we need to move away from what is essentially 'one size fits all' training.

Last year in Australia 130,000 people were undertaking an apprenticeship in a traditional trade, which represents a very significant investment by industry, individuals and government. Ai Group's apprenticeship policy aims to maximise the return on that investment for all of the participants.

In developing this policy we have considered the views of a very broad cross section of our membership and we have concluded that while there are many strengths in the current apprenticeship arrangements, weaknesses are increasingly becoming apparent as we seek to apply what is in reality a centuries old skills development model to the contemporary world of work.

In proposing a way forward, this paper tackles the big issues for apprenticeships around employment and industrial arrangements, regulatory frameworks, funding, incentive payments and training delivery. This sits comfortably with other Ai Group initiatives, particularly the Technology Cadetship - a new contract of training and employment - which combines the technical and employability skills needed in modern manufacturing. The Technology Cadetship provides the opportunity to 'earn while you learn' workplace skills. This program offers an alternative pathway for those leading-edge enterprises seeking new options for skill development. This initiative has been very well received by employers, which reaffirms the need for new approaches and signals a preparedness on the part of industry to support innovative solutions to skilling issues.

Heather Ridout
Chief Executive



Why we need to rethink apprenticeships

Skilling is the pivot point of the Australian economy. The apprenticeship system urgently needs to be brought into the 21st century.

A skilled workforce is essential to the success of Australian industry. Skills development is one of the few avenues available to businesses looking to gain a competitive advantage. Skills are needed not only to meet current production requirements but also to support innovation, the introduction of new products and processes, and workplace change. For individuals, increased skill levels mean better jobs, better pay and greater job satisfaction.

After a sustained period of economic prosperity one of the urgent problems facing businesses is skills shortages. Skills shortages are now widespread and limiting productivity and profitability. In the manufacturing sector alone Ai Group research indicates that there are between 18,000 and 21,000 positions for skilled people that currently remain unfilled.

Training is one of a number of strategies that have a significant impact on skills shortages. The traditional training mechanism is the apprenticeship – typically a four-year contract where apprentices are paid on a sliding scale linked to the proportion of the apprenticeship they have completed.

Who's skilling now?

In 2004 there were just under 394,000 apprentices, around 130,000 of them in the traditional trades. Overall, between 1992 and 2002 there was no growth in traditional apprenticeship numbers and in some of the traditional trades there was a reduction. This was largely attributable to structural changes in the economy:

Privatisation

For many decades, government instrumentalities maintained well established training systems for trades people and trained in excess of their own requirements for the community pool of skilled labour. Privatisation saw most of the training efforts of these instrumentalities wound back and their training centres eventually closed.

Globalisation

In the face of increased competition many companies pared back their operations to concentrate on core business – and many companies felt that training wasn't core business.

Increased contracting out

The increasing tendency of companies to contract out specific business activities, for example maintenance functions, led to an

increase in the use of labour hire firms, which traditionally have not trained their contract workforce.

Perceived unattractiveness of the trades to school leavers

There has been over a period of time some reluctance on the part of school leavers to take on an apprenticeship in manufacturing. This reluctance, in part, can be attributable to aspirations of parents and the drive by school principals to maximise the number of students gaining entry into university.

This decade-long trend has been reversed over the past 18 months and the numbers of apprentices in the traditional trades has increased by more than 30 percent. Ai Group is engaged in research to find out what has prompted this turnaround when many were predicting that declining apprentice numbers was a permanent feature of the labour market. But while there has recently been an improvement in apprentice numbers, current levels are still well short of previous levels and insufficient to meet the demands of industry and the economy.

In the face of change, a persistent feature of the apprenticeship system is the high rate of attrition. Around 30% of apprentices leave their apprenticeship in the first six months. The so-called 'non-completion rate' is a complex number and it is often for good reason that young people don't complete. But even if the 'true' number is much lower, it is still a signal that changes need to be made to the system.

A Diversity of Clients – A Diversity of Needs

The apprenticeship system is not fully meeting employer needs or, increasingly, significant groups of the people who need training. The economy has become much more complex and the simple model of apprenticeships that divided responsibilities between 'the employer' and 'the apprentice' doesn't fit as well as it used to.

'The employer' ranges from global corporations employing thousands of people working across sites internationally and using state-of-the-art technology to a local tradesman servicing his local area from one truck – and everything in between.

'The apprentice' ranges from the young person who has left school and commenced what we think of as the traditional apprenticeship to the 25-year-old who has been working as a trades assistant and wants to take the opportunity to get a trade qualification. Age isn't the only variable. Migration has long been used as a vehicle to supplement our skill base and the opportunity is now being extended to young people from overseas to come to Australia as full fee paying apprentices in regional areas with a view to staying on as permanent residents. The needs of 'the apprentice' differ markedly.



Skilling isn't a point in time activity

For both the employer and the apprentice, the building of skills isn't a one-off activity that is finished with the completion of the apprenticeship. Industry needs to continually innovate and develop to remain competitive and this always includes upskilling and/or reskilling. Just as industry needs to be nimble and flexible to survive and prosper, so too must be the training organisations and the support structures. Too often companies express frustration that they can't readily access the training they seek - that training is not available at a time or location that suits their needs; that it is not relevant to their business needs; that there aren't the skilled trainers they need; or that the equipment in the training organisation isn't state-of-the-art. There are many examples of first-rate training, but exemplary practice needs to become the norm.

Local needs in a global context

In an increasingly globalised economy with a highly mobile workforce, too much of the training system is organised on state lines. It is untenable that apprentices trained under nationally developed and endorsed qualifications, by training organisations that are registered as meeting nationally agreed quality standards, cannot move between Australian States and have their qualifications recognised without question and certainly without being asked to jump through further hoops. This makes no sense to industry - just as the artificial division between vocational training providers and the higher education providers is also seen by industry as an unnecessary impediment to building the skills base.

But while industry needs national consistency in the qualifications - in the way they're delivered, recognised and funded - the training also needs to be flexible enough to meet local needs. Industry recognises that this is a tension - but it's one, which needs to be addressed.

Quality is paramount - but sometimes it's important to lighten up

Underlying every discussion about training is the quality issue. Training is a considerable investment for industry and industry must be confident of the quality of the outcomes. There are many excellent examples of very high quality training, but there also are many examples where the outcomes fall short. While there are national quality standards, there is sometimes too much of a focus on administrative measures and not enough on high quality training. Businesses that work to international standards and operate registered training organisations are often critical of the imposition of another quality system with an additional audit requirement.

A New Approach

Apprenticeships are too important to businesses, the economy and the apprentices not to get right. They remain the most common path into skilled employment. It's time to make sure they meet our many and varied needs.

What's needed?

- Flexibility for employers - flexibility to allow businesses to invest in skilling workers in the skills needed by the business; flexibility over when and where the training is delivered.
- Flexibility for apprentices - flexibility that recognises and meets the differing needs of new entrants and mature-aged apprentices.
- Quality - the investment by government, industry and individuals is high and the return must be good quality outcomes.
- National consistency - a globally competitive economy needs access to a mobile workforce possessing skills that are readily transferable.
- Sufficient regulation - regulation is necessary, but it must be enabling.


The Way Forward

To achieve a flexible and contemporary approach to apprenticeships, a range of strategies need to be implemented. These strategies need to focus on reforms to employment and industrial arrangements, regulatory frameworks, funding, incentives and delivery mechanisms.

1. Employment and Industrial Arrangements

The industrial arrangements around apprenticeships are complex and unnecessarily rigid. In many existing awards the duration of the apprenticeship is a fixed period of time. This approach is anachronistic to the 'competency-based model' that has theoretically been implemented since the early 1990s. Under the competency model, an apprentice's progression is based on their ability - not on how long they've been in training. Awards need to be varied to replace time-served requirements with genuinely competency-based progression. Discussion also needs to be held to re-consider apprenticeship wage progression and rates.

Similarly, some award arrangements make the engagement of school-based new apprentices, particularly in the traditional trades, difficult. This is evidenced by the low or virtually non-existent uptake of school-based new apprenticeships in some States.



The skills required in workplaces today are vastly different from the requirements of the last century. Today's workers are expected to have both broader and deeper skills. The new approach must reflect this by extending the apprenticeship model to encompass higher qualification level options, ie Diplomas and Advanced Diplomas. Awards require similar amendments.

New and different contracts of training need to be established and to attract Commonwealth incentives. In the case of adult apprentices and existing workers, removal of the requirement for a contract of training should be embraced.

Full credit should be given for relevant pre-apprenticeship/pre-vocational training, thereby shortening the overall apprenticeship duration.

The Australian Industry Group has developed the Technology Cadetship, which is a new approach to developing the skills needed by enterprises working at the cutting edge. This initiative has been greeted enthusiastically by our member companies and indicates there is widespread support for innovative approaches to skills development and a new approach within the apprenticeship model.

Simply put, awards need to be varied to reflect current business imperatives and the needs of apprentices.

Further expansion of Group Training is desirable. Group Training is an important platform in the provision of apprenticeship training and flexible apprentice employment options. Alternative models that enable apprentices to rotate amongst employers in order to acquire an appropriate depth of skill must be pursued.

New Apprenticeship Centres (NAC) have an important role in assisting with the establishment of a contract of training and employment. This role could be strengthened to include mandatory workplace visits within three months of commencement and ensuring training plans are customised and reflective of both the work and the industry before subsidies flow.

Action 1: Employment & Industrial Reform

Reforms to employment arrangements and industrial awards must include:

- Award variations to place greater emphasis on competency-based progression rather than time-served
- Award variations that enable the establishment of contracts for school-based new apprentices in all jurisdictions
- Discussion about apprenticeship wage progression and rates
- Extension of apprenticeship options to Diploma and Advanced Diploma (eg, Technology Cadetship)
- Removing the 'contract of training' requirement for adult

apprentices and existing workers

- Expansion of Group Training arrangements and modes of employment
- Possible extension of the role of New Apprenticeship Centres (NACs).

2. Regulatory Frameworks

Frameworks regulating apprenticeship training are vitally important. The insistence by each state and territory on maintaining its own regulatory arrangements in accordance with a set of agreed national principles is now an efficiency issue.

While the principles of mutual recognition of qualifications and providers has been 'agreed' and implemented by all jurisdictions through the model clauses process, many anomalies remain.

In these days of a highly mobile labour force and a significant number of companies with multiple sites across state and territory boundaries, the differences between the respective apprenticeship frameworks are unnecessary structural impediments in the labour market.

The many-layered regulatory arrangements are compounded by licensing arrangements, which cross jurisdictions.

The requirement for occupational licensing in Australia varies state by state. Consequently the state-based licensing regimes are often inconsistent or even incompatible with each other. In some instances, tradespeople who move from one state to another are required to meet different licensing requirements even though they are doing the same job. Training Packages and license testing also lack harmony. While some improvements have been made towards ensuring consistency, further progress is urgently required.

The recent decision by the Council of Australian Governments (COAG) to establish a working group to address the barriers across VET and work towards a national approach is welcome and has the potential to make a real difference in this area.

Action 2: Regulatory Frameworks

The Australian Government and State and Territory Governments must work together with industry to implement a national set of regulatory and licensing frameworks to underpin the Australian apprenticeship system. Training assessment, trade sign-off and license testing must be rationalised to be a single 'event', not separate processes.



3. Funding

Funding for the delivery of apprenticeship training remains problematic. Skill-rich industries such as manufacturing require a sustained and extensive commitment to skilling, upskilling and reskilling. The task isn't finite and doesn't come with a fixed price tag. Funding models need to be reviewed to ensure adequate levels of funding for skill-rich industries. This must include a reconsideration of the very heavy emphasis of public funding towards entry-level training.

Adequacy of funding alone will not fully address the cost issues surrounding the development of a skilled, flexible workforce. Funding allocations must also be targeted towards a comprehensive set of pathways options that facilitate the transition from school to apprenticeships. Particular examples include pre-apprenticeship, school-based new apprenticeships and other pre-vocational offerings.

The structured training component of apprenticeship programs needs to be conducted in contemporary facilities that mirror the realities of the modern workplace. This may be at an enterprise. The challenge for training providers to acquire the facilities needed to keep pace with the rapid technological change and transformation that has been occurring in industry remains difficult. Innovative solutions are required. Incentives to establish relationships between apprenticeship training providers, leading edge companies and equipment manufacturers need to be fostered. This strategy needs to be strategically co-ordinated and allow for the development of excellence through specialisation.

Finally, it is important to continue the 'who pays for training?' debate and discuss the best split between government/industry/individuals. In pursuing this debate, the industry/employer contribution to the cost of training, particularly through the apprenticeship system, must be acknowledged. This contribution is not mirrored in either the schooling or higher education sectors, yet they continue to receive significantly more generous levels of funding.

Action 3: Funding

Funding models need to be reviewed to:

- Ensure adequate funding levels for training in skill rich industries
- Support a comprehensive set of pathways into and through apprenticeships
- Encourage appropriate competition between training providers
- Foster collaboration between training providers and industry to support excellence in skills development.

The 'who pays for training?' debate is to be encouraged, needs to continue and to give greater recognition to the employer/industry contribution.

4. Incentive payments

The introduction of employer incentives has significantly increased the uptake of trainees and apprentices across the nation, especially in the non-traditional trade areas. Targeted incentives have also been effective in areas of special needs. But while these incentives have been a valuable tool in increasing investment in training, there is a growing view that it is time to review the Commonwealth incentive arrangements.

Ai Group believes that Commonwealth incentive arrangements should be more closely aligned to the economic and social requirements of the current and future skill base needed to ensure Australia's ongoing competitiveness. Incentive arrangements, where appropriate, could be extended to payments to the individual.

Urgent consideration should be given to:

- Extending incentive arrangements linked to a 'new' contract of training to Diplomas and Advanced Diplomas in targeted industry areas
- Reducing incentives for lower AQF qualifications
- Restructuring milestones around genuinely competency-based progression
- Rewarding completion, ie, completion bonus to the individual
- Undertaking a skill benefit analysis by industry, in relation to Commonwealth incentives
- Developing new and different incentive arrangements for existing workers and adult apprentices (arrangements that mandate up-front skill recognition)
- The differing needs of both employers and group training organisations.

Action 4: Incentive Payments

Commonwealth incentive payments need to be comprehensively reviewed and this review should give particular consideration to:

- The effectiveness of incentives as a skill driver
 - The role incentives can play in better supporting competency-based progression and completion
 - Building a highly skilled workforce by encouraging higher level training
 - Removing anomalies that inhibit skill development beyond entry level training and transfers from school-based new apprenticeships
 - Developing new incentive arrangements for existing workers and adult apprentices
 - Extending incentive payments directly to individuals.
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5. Improving Delivery

Reforming the regulatory framework, licensing arrangements, funding and incentive regimes alone will not necessarily deliver an improved apprenticeship model. Issues around implementation are central to delivering improved outcomes. The point of delivery is a vitally important part of the work and learning equation.

Assessment

The credibility of a new, competency progression apprenticeship model will be derived from the quality and rigour of assessment. Assessment is necessarily an ongoing component of the training program. However, critical milestones along the way warrant special attention. The most notable assessment point is the final assessment, where an apprentice is signed off. This 'sign-off' must be mutually agreed by the employer and the registered training organisation and must be processed promptly, with appropriate dispute resolution mechanisms.

Thought should be given to establishing industry-endorsed 'assessment centres' that specialise in recognition for adult apprentices and the skills of existing workers as well as catering for entry-level apprentices. Final assessment and sign-off, with immediate eligibility for a trade completion certificate is a critical component of a new model. These assessment centres may be existing providers.

Innovative delivery mechanisms

Training providers must actively pilot innovative approaches to delivery. These approaches must be premised on a genuinely competency based progression model. This will mean flexible and creative approaches to timetabling, blocking and pedagogy. Registered training organisations must be required to teach contemporary work processes, not processes and practices that have long ceased to be used in the workplace. It is essential that there is a high level of integration between work and learning.

The 'drop-out' rate for apprentices is at its highest in the first year. Approaches that embrace accelerated skill acquisition in the first year should assist in reducing non-completion rates. This will require a mirrored effort in the workplace, ensuring the important integration of work and learning.

Recognition

Genuine and timely recognition of prior learning or current competence is an essential component of creating contemporary apprenticeship models that work for adults. Adult workers and learners bring experience and skills with them. Effective formal recognition processes should be an upfront, mandatory part of all adult apprenticeship programs. While all registered training

organisations are required to offer recognition of prior learning, the processes used are cumbersome, paper-based exercises that undoubtedly mitigate against meaningful recognition. There are many excellent examples of how recognition of prior learning should be carried out. They should be the norm, not the exception.

Employability skills

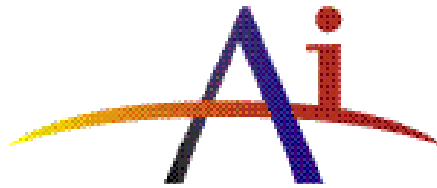
The new approach to the apprenticeship system aims to develop flexible, adaptable, highly skilled workers. Generic or employability skills are an important cornerstone in delivering this outcome. Work to accelerate the explicit inclusion of employability skills into Training Packages is critical. Equally, delivery arrangements need to embrace the development of employability skills in apprentices and where necessary, adjust delivery arrangements accordingly.

Action 5: Improving delivery

- The feasibility of establishing a network of industry-endorsed assessment centres specialising in the assessment of adult apprentices and existing workers should be tested through a series of pilot projects.
- Training providers must be supported in the development of innovative approaches to delivery.
- Recognition of prior learning processes must be overhauled and adequately funded.
- Actions to support the delivery of employability skills to apprentices must be accelerated.

Marketing the Changes

The new approach to the apprenticeship system needs to be supported by a comprehensive marketing campaign. The profile of the traditional trades has been raised markedly in recent months through the widespread coverage of the skills shortages. While this issue is 'front of mind' a national campaign that coordinates all relevant agencies and focuses on the career options provided by a reinvigorated apprenticeship system would be timely and would be well supported by industry.



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