



National Apprenticeship  
Employment Network

# Dealing with the Apprenticeship Emergency

June 2020

## Addressing declining apprenticeship numbers

Australia is experiencing the biggest economic downturn since the 1930s.

The apprenticeship sector has been among the worst impacted as a result of layoffs and business shutdowns due to COVID-19.

Apprentice and trainee numbers have been on a steady decline over recent years and the pandemic led to thousands of apprentices and trainees having their contracts of training cancelled or suspended, while GTOs have seen hundreds handed back by host employers.

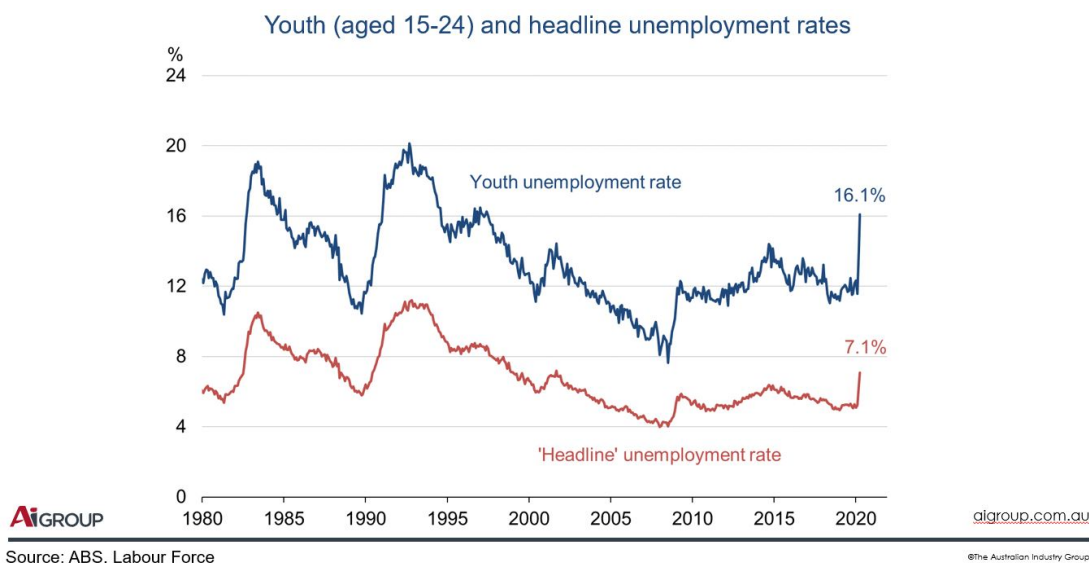
There is uncertainty about the nature of the economic recovery – whether it will be a V-shaped “snapback”, or a more protracted and uneven return to a “new normal”.

The outlook for apprentice and trainee employment is dire, irrespective of the pace of recovery.

Modelling by the [Mitchell Institute](#) suggests that the number of new apprenticeships/traineeships will decline by 30 per cent or approximately 130,000 over the next two years.

The [National Australian Apprenticeships Association](#) (NAAA) has produced three scenarios for economic recovery which, under the “best case”, point to a decline in total annual apprentice commencements of 28 per cent to 113,917, and under a “worst case” a decline of 50 per cent to 79,662 commencements.

AiGroup has estimated that the level of youth unemployment went above 16 per cent in May, while the “headline” unemployment rate for Australia recorded 7.1 per cent. Unemployment at this level among our young people represents a grave crisis, and has lifelong economic and social costs, with impacts on livelihoods and mental health.



One of the concerns of NAEN is that there could be a severe, structural decline in the apprenticeship sector, even under the most positive economic outlook.

NAEN's own apprenticeship data, sourced from its state associations and Group training organisation (GTO) members, shows that there have been several thousand apprentices and trainees cancelled or suspended and hundreds of handbacks by host businesses during COVID.

While the initial economic impact was largely concentrated in the hospitality industry, this has now spread to building and construction and is impacting electrical, carpentry and plumbing apprenticeships. With further declines in housing approvals likely, the traditional trades are likely to see more falls in commencements and greater pressure on employment.

NAEN is conscious that without significant government stimulus, apprentice employment across the board is likely to experience a sharp reversal.

NAEN is calling on government to harness the expertise and reach of the group training sector to assist in this economic and health crisis. Group training was established some 30 years ago precisely to provide a cushion for apprentices in times of economic difficulty. It's capacity to sustain and rebuild the apprenticeship sector can again be utilised, through its links with employers and communities, and its proven strategies for commencements, retention, rotations and completions.

## **The post-COVID environment**

NAEN's focus on key elements of the apprenticeship system builds on developments in recent months, including:

- The establishment of the National Skills Commission with a remit to undertake nationwide skills forecasting and analysis.
- The implementation of the Joyce Review recommendations.
- The fast-tracking of major public sector infrastructure projects.
- The establishment of a National Cabinet sub-committee on skills
- The government's adoption of the Australian Qualifications Framework (AQF) review findings.

Australia has performed better than many countries in containing the spread of COVID-19. The government has implemented a number of policies to support apprentices and trainees, including the JobKeeper program and the Supporting Apprentices and Trainees initiative. However, there is concern at how the sector will fare once these support measures are withdrawn.

Accordingly, NAEN proposes that it is the right time to look at measures that will help insulate against a post-COVID "cliff" toward the end of 2020, and additional steps that can help stimulate apprentice employment over the medium term.

## Recommendations

### An extended apprentice/trainee wage subsidy

Wage support has been put in place by the government in response to COVID-19 in the form of JobKeeper. The group training sector has also been assisted by the government's Supporting Apprentices and Trainees measure, which provides a 50 per cent wage subsidy to small businesses, including GTOs to help retain apprentices and trainees. These measures have been critical to supporting employees of businesses impacted by the pandemic to retain their apprentices and trainees.

However, there is real concern at how some sectors will manage once these payments cease in September, as planned. Businesses employing apprentices and trainees, including GTOs are deeply worried about their ability to hold on to apprentices and trainees without a strong and immediate bounce back in the economy. There is grave concern about the compounding impact from high youth unemployment and the decline in commencements that will inevitably produce skills shortages as the economic cycle normalises.

Accordingly, we believe that there is justification in extending wage subsidy arrangements for employers of apprentices and trainees beyond September.

**Recommendation:** Wage support of \$500 per apprentice, per week should be extended, in the form of the JobKeeper model through the one-touch payroll, and should apply to all employers of apprentices and trainees beyond the immediate COVID period for a period of 12 months, with a review after six months.

This would apply to businesses of all sizes and cover new commencements and existing apprenticeships and traineeships, but not existing workers. The estimated cost is \$5.2 billion.

### Direct GTO funding to help restore apprentice employment

NAEN represents GTOs, of which there are more than 170 registered across the country, employing some 22,000 apprentices and trainees. The scale of the network, which extends to thousands of largely SME host employers, provides a unique avenue to stimulate apprentice employment.

GTOs operate in every part of Australia and help thousands of people, including school leavers, mature age workers, those with disability, Indigenous jobseekers, defence force personnel, youth and new migrants. GTOs have a pivotal role in communities through their links with businesses, employers, schools, careers advisers, TAFEs and other quality training providers.

There is a powerful case for directly funding GTOs, both to support their work in retaining apprentices and trainees during the current crisis, while creating an incentive for new commencements in the wake of the recent decline.

The largely not-for-profit group training sector has revenue estimated at \$1 billion but is severely stretched in the current climate, with some GTOs struggling to survive.

The value contributed by GTOs was detailed in a September 2019 report by the [National Centre for Vocational Education Research \(NCVER\)](#). It found that GTOs achieve “substantially higher” completion rates of apprentices and trainees than direct employers in small and medium sized businesses. It also said the profile of GTO apprentices and trainees includes a higher proportion of disadvantaged or “high risk” cohorts – they are younger, more likely to be in the trades, more likely to be new rather than existing workers, and more likely to be Indigenous.

Across the board, GTOs play a key role in helping to commence, retain and complete apprentices and trainees in employment through their focussed pastoral care and support. In times of economic crisis, the retention of apprentices and their rotation across host businesses serves to insulate these jobs and cushion the impact of economic downturn.

Direct financial support would also enable GTOs to undertake pre-apprentice recruitment showcase events in senior secondary schools, with a particular focus on regional areas.

**Recommendation:** Introduce direct annual \$20 million GTO funding to support the strength and public good of the GTO model in recovering from the COVID crisis as part of an apprentice retention and commencement strategy, using commencements, rotations, host sharing and other innovative strategies. This would help to rebuild apprenticeships and provide mentoring and support for small businesses most severely impacted by COVID.

### **Maximising apprentice opportunities on major projects**

The government recently announced that it will fast-track investment in critical infrastructure projects including Inland Rail; the Marinus Link; the Olympic Dam extension; NSW emergency town water projects; and road, rail and iron ore projects in Western Australia, as part of its new JobMaker plan.

Prime Minister Scott Morrison also announced that the government will commit \$1.5 billion to immediately commence work on priority projects identified by states and territories as part of new bilateral partnerships designed to expedite approvals.

NAEN believes that given the substantial Commonwealth commitment to fund and fast-track these projects, it would be entirely appropriate to require government and private sector developers to commit to meaningful apprentice and trainee involvement.

If these important projects are to contribute to skills development and jobs growth, there should be a minimum apprentice requirement to ensure opportunities for young people, particularly in areas facing high unemployment.

**Recommendation:** The government mandate a minimum 10 per cent employment requirement for apprentices and trainees on all projects where the Commonwealth is involved in funding and/or expedited approval.