



# Building a worker-focussed incentive scheme

Australian Council of Trade Unions submission to the Strategic  
Review of Apprentice Incentives.

ACTU Submission, 15 May 2024  
ACTU D. No 40/2024

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## Introduction

The Australian Council of Trade Unions (ACTU) is the peak trade union body in Australia, with 43 affiliated unions and states and regional trades and labour councils, representing approximately 2 million workers across the country who are engaged across a broad spectrum of industries and occupations in the public and private sectors. As custodians of the skills and training system and the representatives of apprentices and trainees across the country, the ACTU welcomes the opportunity to provide a submission to the Strategic Review.

It is our view that the current system of apprentice<sup>1</sup> incentives fundamentally misunderstands the push and pull factors on apprentices – failing to adequately incentivise apprentices to enter the system or to complete their training. This is occurring not only because the system fails to adequately incentivise apprentices themselves, but also because it often succeeds in incentivising poor behaviour from employers at worst or at best simply fails to disincentivise that behaviour.

This submission will not focus particularly on the issues in the apprenticeship system – the long-term poor completion rates, lack of diversity among the student cohort and other issues that are well known. Instead, we will focus primarily on the failure of the current incentive and other systems to effectively address these issues and on laying out how this can be addressed.

In addition to a poorly designed system of incentives, there are a number of other factors which we believe are materially impacting apprentice commencement and completions which will be explored further in our submission. These factors include:

- Apprentice pay and the impact of the changing nature of apprentice demographics
- Current economic factors
- Prevailing wage rates, particularly for tradespeople
- A failure to provide meaningful apprentice support.
- Poor workplace experiences for apprentices.
- The failure to provide effective pre-vocational or matching services to young people.

The system can also do much more to encourage, and directly incentivise, the involvement of marginalised cohorts in apprenticeships, especially women in male-dominated trades.

Addressing these issues with the steps we recommend below would also likely allow the

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<sup>1</sup> A note on terminology: 'Apprentices' is used in this submission to refer to both apprentices and trainees. In situations where only trainees are being referred to, only 'trainees' will be used.

Government to more fully meet the recommendations of *ILO Recommendation No 208 (2023) on Quality Apprenticeships* (which the Government voted for in the ILO).<sup>2</sup>

It is also our belief that there are a number of systems not specifically covered by the terms of reference which actively prevent apprenticeship take up or disincentivise employers from offering apprenticeships. It is our view that, while we understand the Review may be reluctant to provide recommendations with regard to these areas, the Review should make findings highlighting the negative impact that these factors have and how any holistic attempt to address issues in the apprenticeship system should consider them as issues to be addressed.

## Responses to the Terms of Reference

### Term of Reference 1

**Consider the effectiveness and efficiency of the Incentive System, against the objectives of encouraging take-up and completion of apprenticeships and traineeships, and examine the complementary role of services, support and high-quality training provision.**

The current incentive system for apprentices has fundamentally failed to incentivise either significant growth in uptake of apprentices (with commencement growth coinciding with other reforms more clearly) or more crucially to incentivise the completion of apprenticeship programs. It is our view that this is the case due to a number of critical failures in the design of the incentive system – failures which go to the core of the system and who (and what) it attempts to incentivise.

#### **Incentives are focussed too clearly on commencements.**

The system of incentives available to employers, outlined at Table 1 below, primarily focuses on front-loading payments. The majority of payments are focussed on the first year of an apprenticeship and, when incentives are paid as a wage subsidy, they often taper off as the apprentice moves through the years – defraying a smaller percentage of the larger cost of employing the apprentice.

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<sup>2</sup>ILO, *Recommendation on Quality Learning*, 2023, [Online](#).

**Table 1 – Employer incentives to hire apprentices.**

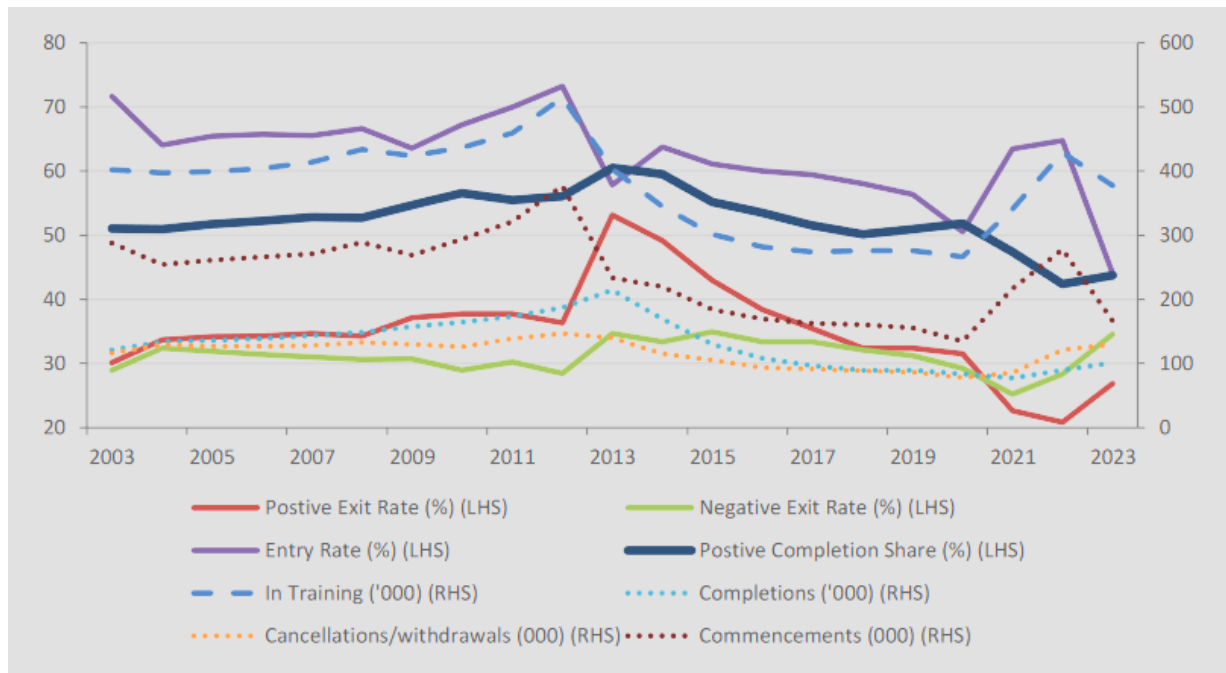
Circumstance	Eligibility Period	Assistance available
Employer hires a new or recommencing Australian apprentice not in a priority occupation.	For commencements (or recommencements) after 1 July 2022 but before 1 July 2024.	Two single payments, made 6 months and 12 months after employing an apprentice. Each payment for a full time apprentice is \$1750. Each payment for a part time apprentice is \$875.
Employer employs an Australian Apprentice for an occupation on the Priority List.	For commencements (or recommencements) after 1 July 2022 but before 1 July 2024.	10% subsidy of wages paid to the apprentice, capped at \$1,500 per quarter, for the first two years of the apprenticeship. 5% subsidy of wages paid to the apprentice, capped at \$750 per quarter, for the third year of the apprenticeship
Employer employs an apprentice who completes their apprenticeship for an occupation not on the priority list.	For commencements between 5 October 2020 and 30 June 2022	\$1,500 payment to the employer in respect of part time apprentices. \$2,500 payment to the employer in respect of full time apprentices.
Employer employs an apprentice who completes their apprenticeship for an occupation not on the priority list.	For commencements between 5 October 2020 and 30 June 2022	\$3,000 payment to the employer (irrespective of whether the apprentice is full time or part time).

Source: Department of Employment and Workplace Relations, [Australian Apprenticeship Incentive System - Program Guidelines](#); Department of Employment and Workplace Relations, Australian [Apprenticeship Incentives Program – Program Guidelines](#)

Employers have, in the past and likely in their submissions to this Review, proven to be loudly price-sensitive about reductions in front-loaded incentives and welcoming of increases. Pleasing employers however is not the purpose of the incentives system, its purpose is to ensure a steady supply of skilled and trained workers – an obligation the overall poor completion rate indicates it is failing.

Front loading incentive payments to employers may result in increases in commencements but they appear to fail to fundamentally increase throughput of the system. The positive completion share, a figure which shows the number of persons who complete the training, as a share of the total of those who both complete or cancel/withdraw has remained largely flat below 50% since 2003 – rising briefly above in 2013/14 and predictably falling in the pandemic years (see Figure 1 below).

Figure 1 - Apprentice and trainee entry and exit (all categories), June Quarter 2003-2023.



Source: NCVET

In addition to failing to meaningfully affect the systems efficiency at producing skilled workers, front-loaded incentives have created a number of perverse incentives for employers which have negatively impacted both individual apprentices and the system's ability to deliver on its aim. Our current system incentivises employers to hire apprentices and to keep them on for the first year of their apprenticeship and that is precisely, and only, what some employers are doing.

This has created a churn phenomenon – known among apprentices as ‘apprentice recycling’. Apprentices subjected to ‘recycling’ are often employed for a 12-month period in which they receive minimal training, often not being released to take part in classroom learning, and are used to provide simple labour (work unrelated to their apprenticeship). Once the 12 months are completed and the employer has received the complete set of incentive payments (in addition to the possible wage subsidy and discount apprentice wage rates) they are dismissed. These apprentices are often left worse off, a year older but no more advanced in their training and have only limited recourse through the Fair Work Commission.

In order to address these issues, both the failure of the current system to incentivise completions and the sharp practices of employers, changes are needed. These changes should ensure that a future incentive system spreads payments to employers out over the life of the apprenticeship – at the very least well into the second year – and that employers who undertake churn behaviour are prevented from accessing future incentives.

I was recycled as a first year... as soon as the first year becomes a second year, they give them the flick and hire another one. This has not only happened to me; it's happened to a number of my friends at my trade school and a number of fellow workmates... it's just a massive failure from the AASNs.

Regan Agar, Former Electrical Apprentice in Residential Construction

**Recommendations:**

1. *Refocus incentives to employers to reduce front-loading and encourage apprentice completion.*
2. *Include consideration of an employer's previous success (and failures) in determining their eligibility for future incentives.*

**Incentives are targeted at the wrong actors.**

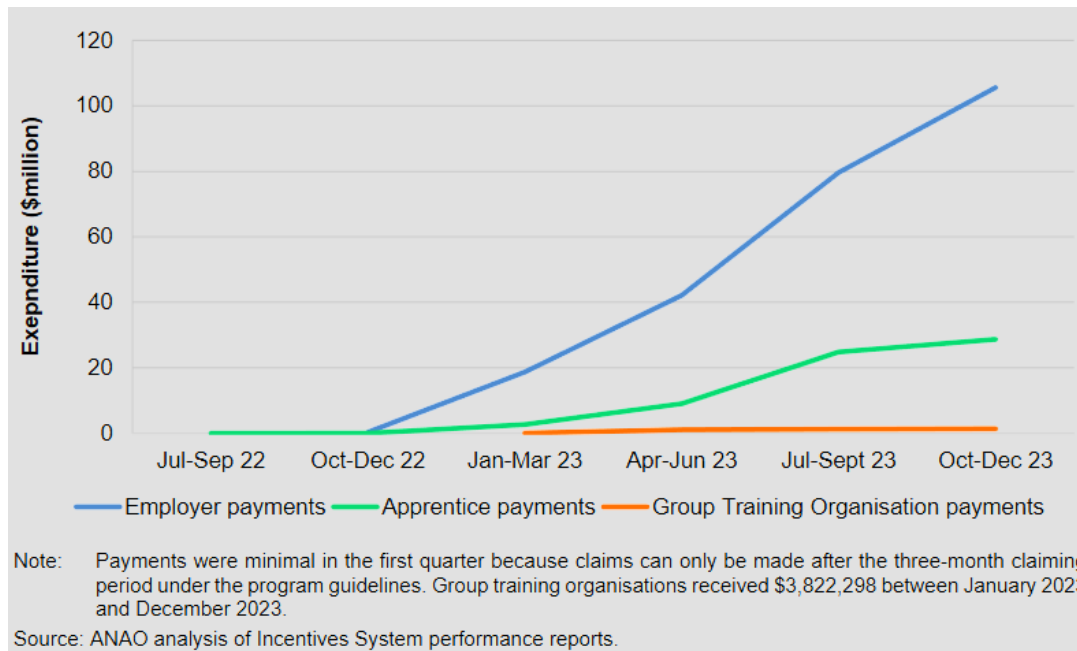
The phrase 'apprenticeship incentives' is largely a misnomer. Most of the incentives paid through the apprenticeship incentives program are paid to employers and not to apprentices – despite the reality that, in a system where less than 50% of apprentices complete their training and apprentice contracts are overwhelmingly (80%) ended by the apprentice themselves<sup>3</sup> (though this statistic should be taken with a grain of salt as unions are aware apprentices are often pressured to end contracts by the employer or their AASN when a dispute arises), it is the actions of apprentices we should be attempting to change. Figure 2, taken from the Auditor General's Report into the Incentive Scheme, indicates the extent of this problem.

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<sup>3</sup> Australian Government, *Future Directions for Australian Apprenticeship Support Services Consultation Paper*, 2024.



**Figure 2 - Incentives System expenditure**



That so much of the money designed to incentivise apprentices goes to their employers is hard to justify. Obviously, employers would complain if all support was withdrawn and there is an argument to be made that employers need to be incentivised to some degree to provide positions for apprentices to fill, but an imbalance of this magnitude defies logic.

In addition to the practical issues this causes which we will explore below, it raises a clear philosophical issue. The payment of incentives to employers by government to train their own staff has assisted employers to forget that they are the ultimate beneficiaries of that training and that training an apprentice is not a favour they are doing for the government but is an investment in a higher skilled and more productive workforce.

If our incentives system incentivised apprentices with direct payments to complete their apprenticeship and increased completion rates significantly, there would be a much greater number of skilled workers being produced each year and the overall efficiency of the apprenticeship system would be greatly improved. It is clear to us in that a system which produces a nearly 50% dropout rate, the most easily recoverable losses are in reducing those drop-outs – something most effectively done by directly incentivising apprentices continuing to study.

Often it is suggested by employer advocates that in order to increase completions, a ‘completion payment’ should be made available to employers. We contend that this would be ineffective. A final year apprentice is already a productive worker and is on the cusp of becoming a fully trained member of staff. The productivity increase and, in some cases, the ability to undertake licensed work, that graduation brings should already act as a significant incentive for an employer to see their apprentice complete by this period. In spending public money, we must seek the greatest effect for each dollar and it is clear that a far more effective expenditure of that money would be



to pay apprentice themselves a bonus for completing their apprenticeship, or as a payment to apprentices earlier in the apprenticeship which supports them to complete.

Incentives being paid to apprentices would have to be carefully designed to ensure uptake. Apprentices are often not aware that incentives are available that they can claim or will fail to endure excessively bureaucratic processes. In designing these incentives, it should be remembered that the targeted demographic is largely young people, in many industries primarily male. Ensuring that this cohort is aware that incentives are available and making them as easy to claim as possible, perhaps through coordination with TAFEs, is essential to ensuring their efficacy.

Equally important is the careful design of the incentive itself. For example, some of the current incentives delivered in the form of wage subsidies actually create an undesirable incentive for apprentices to work additional hours. This occurs when a wage subsidy will cover 10% of an employee's wage up to a certain value, but that value is greater than 10% of the ordinary hours earnings for an apprentice in the industry. This encourages employers to have apprentices work additional hours to gain the maximum subsidy. Any incentive directed at apprentices will need to avoid these pitfalls.

***Recommendations:***

3. *Refocus the payment of incentives away from employers and towards directly incentivising apprentices.*
4. *Apprentice incentives should be carefully designed to maximise awareness and take-up.*

**Incentives are available to employers who do not meet their obligations.**

Apprentice incentives should be targeted at employers who are providing a top-quality apprenticeship experience – those employers who we would wish for all employers to emulate in their approach to training and supervision. Incentives should amplify the work of these employers and smooth their way to attracting and training apprentices.

Failing that, incentives should be restricted to employers who meet their most basic obligations – those imposed on them by the training contract they have signed or the award under which they operate. The current system however fails even this most basic test, with incentives available to employers who do not meet their obligations. In addition to essentially zero action to prevent employers who undertake 'apprentice recycling' from accessing incentives, unions have seen countless cases of employers who fail to meet award or other obligations not only continuing to receive incentives for future apprentices, but also receiving an incentive for the specific apprentice they are failing to support.

These failings range from not providing apprentices with tools that are required to be provided under the award conditions through to failing to pay TAFE fees (which employers are obligated to pay) – in some cases resulting in apprentices' graduation being delayed due to the fees owing.

An improved incentive system, when it pays employers, would focus on ensuring that only employers who are providing a quality apprenticeship experience and are meeting their basic obligations are able to access incentives for their current or future apprentices. Those employers with a history of poor apprentice outcomes or failure to meet their obligations should have their access to incentives ended. It is simply unacceptable that public money is being used to enrich employers who are not meeting their basic obligations.

### **Recommendations**

5. *Ensure that employer incentives only go to employers who are meeting their basic legal obligations to their apprentices. Employers in the bottom quartile of apprenticeship completion rates in their industry should be strongly considered for denial of future incentives.*

### **Term of Reference 2**

**Consider how cost of living pressures are impacting apprenticeship and traineeship take-up and completion in the current economic context, taking into account incentives and support from the Commonwealth, States and Territories;**

### **Apprentice Pay**

Unions have long been of the opinion that apprentice payment rates are overall too low and that these low rates act as a disincentive to undertake an apprenticeship for many workers and students and represent a failure to meet recommendation 16 (a) under the *ILO Recommendation No 208 (2023) on Quality Apprenticeships* which states “[members should take measures to ensure that apprentices] receive adequate remuneration or other financial compensation.”

This is the case both for juniors, who are subjected to discounted junior rates (which are often below minimum wage) while an apprentice and mature-age apprentices. It is our view that the low rates of pay for mature age apprentices often acts as a barrier for workers wishing to retrain or change industry through the apprenticeship pathway. Apprentice pay rates often lag significantly behind entry-level rates in other industries which have no qualification requirements such as retail or other services. Despite the obvious long-term upsides presented by the apprentice model, this pay disparity can act as strong disincentive to young people and for mature-age apprentices as it causes them to doubt their ability to support themselves and their family while undertaking an apprenticeship.

This issue has been exacerbated by two forces in recent years – the rising cost of living and the changing nature of the apprentice demographic. The cost of living has risen dramatically over the last 2 years, with the vast majority of price increases occurring in expenditure categories that are necessities – such as food, transport and housing. This has impaired the capacity of workers generally to respond to these price rises by reducing consumption. This has particularly affected apprentices and other low paid workers – forcing them to spend an increasing percentage of their salary on these necessities. All this is notwithstanding the steady increase of costs faced by apprentices over the last decade, as tool allowances have become loan programs (loans offered mostly to young men with poor financial literacy) and changing patterns of work have meant often longer commutes (with some apprentices traveling for hours on public transport to reach their workplace) and higher transport costs.

In addition to the increased costs, the simple nature of who is becoming an apprentice has changed. When apprentice rates were set the quintessential image of an apprentice was a 17-year-old who rode their bike to work. They lived at home and likely had no real financial obligations. Apprentices are now generally a few years older, as many employers now prefer apprentice candidates who have finished year 12. Apprentices generally are required to have a driver's license and a vehicle – which many go into debt to purchase. They may no longer live at home and in some cases may have young families. They certainly have ongoing financial costs like phone services etc which would have been less common or cheaper in previous decades. Apprentice rates were set when apprentices' financial responsibilities were much lower and simpler, and they have failed to adjust to the new reality.

We acknowledge that there are some barriers to an immediate increase to apprentice rates – primarily the 2013 Decision undertaken as part of the transitional review of modern awards<sup>4</sup> - however we maintain that an increase is necessary. In the short term this can be achieved by the abolition of junior rates for apprentices – granting most school leavers a significant pay increase in the first years of their apprenticeship. While we await a fix to allow other apprentice rates to rise, it is our view that much of the increased flow of incentives to apprentices that is necessary should take the form of cash payments as a wage supplement.

Some consideration should also be given over the longer term to adjusting apprentice wage setting in industries where fully qualified workers are, as a rule, paid significantly above award. For example, electricians are rarely paid award rates and yet electrical apprentices have their wages set at 80% of the award. Setting apprentice rates at 80% of the prevailing wage in the

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<sup>4</sup> Fair Work Commission, *Application by Queensland - Training and Employment Recognition Council [2013] FWCFB 5411*

industry for a fully qualified worker may create a more just outcome than relying on a rate almost nobody uses once fully qualified.

### **Recommendations**

6. *Immediately raise apprentice pay by eliminating junior rates for apprentices.*
7. *Consider what action is needed from Government to facilitate a broader increase for apprentices, including consideration of utilising the prevailing wages in industry as a base for apprentice wage calculation where appropriate. These options should be consulted on with relevant industry stakeholders to ensure they are appropriate.*
8. *Measures to cut the costs faced by apprentices such as providing health care card access for apprentices.*

### **Term of Reference 3**

Take a holistic view of the apprenticeship system, including non-financial supports provided through the Australian Apprenticeship Support Network and by States and Territories and factors relating to workplace conditions, culture and the role employers play in the quality of apprenticeships and traineeships. The Review will also identify any systemic impediments to the effective operation of the Incentive System, including barriers to completions;

#### **Apprentice Support and Mentoring**

The current system of apprentice support is a near-total failure. In the 12 months to March 2022 more apprentices cancelled their training contracts than completed their training. Over that period, cancellations outstripped completions by 25,000 – nearly 30%. This appalling statistic, when combined with the reality that 80% of cancelled apprenticeships are initiated by the apprentice, clearly illustrates that apprentices are not receiving sufficient support to remain engaged in, and complete, their apprenticeship. The fact that, in the last fifteen years, the high point for apprenticeship completions was among those who began their apprenticeship in 2012. Of this cohort, 62% completed their course of training. That this represents the apotheosis of completions under the current system, where 1/3rd of apprentices still didn't complete their training, is a scathing indictment of the system designed to support apprentices and increase retention rates – the Australian Apprentice Support Network (AASN).

Holistic, one-to-one and workplace-centred support means apprentices are more likely to complete their apprenticeship. Completion rates are higher both among apprentices employed in larger businesses, which are more likely to be experienced in apprentice employment and to have staff dedicated to that process, and those employed by Group Training Organisations. Apprentices employed in these circumstances are more likely to receive the support they need

from their employers, offsetting the fact that it is clearly not being provided by the AASNs contracted to do so. Apprentices need support that is located in their workplace and where the work they are undertaking is understood by those providing them with support.

It is the view of Australian unions that a new system of support for Australian apprentices should be developed to replace the existing AASNs. That model should have the following attributes:

- Industry led – mentorship and support should have a direct connectivity with workers and the workplace.
- Supported Tripartism - Unions and employers must be supported by the new system to act effectively to support and mentor apprentices and to assist those that are employing them.
- Connections to the industrial system.
- A holistic, wrap-around, case management approach to support provision.

In addition to the above, AASNs are fundamentally conflicted when attempting to advocate for employees. While they are contracted to provide support to apprentices, the reality is that it is the employer who selects which AASN they will work with – not the apprentice. This means that while AASNs may be, when faced with poor treatment of an apprentice by an employer, unwilling to advocate for or assist the apprentice out of fear of losing future business with that employer.

While we welcome the reforms to the AASN model introduced by the Government in the latest round of contracting for the service, it is our view that they will likely prove to be too conservative. While they have improved the service offer apprentices can expect from their AASN, the lack of industry and on-the-job knowledge of many AASNs will likely remain an issue that will prevent the model from effectively supporting apprentices. Unions welcome the finding of the *Inquiry into the Status and Perception of VET* which called for a trial of industry-led apprentice support and believe that this should be implemented as soon as possible.

### **Recommendations**

9. *Reform apprentice support in line with the principles outlined above and as called for in the findings of the Inquiry into the Status and Perception of VET.*

### **Apprentice conditions and workplace experience.**

A factor which we believe drives many apprentices to cancel their contracts and discontinue their apprenticeship is the high prevalence of poor workplace conditions and experiences among the cohort. Apprentices often experience a wide range of poor workplace conditions in addition to the churning behaviour outlined above. This can include a failure to provide adequate supervision, exposure to physically or mentally unsafe working conditions, wage theft, a failure to provide access to training or appropriate work tasks or bullying and harassment. For example, a 2023 Electrical Trades Union survey found that:

- 16.36% of respondents had considered quitting their apprenticeship because of the work culture.
- 23% of female apprentices considered quitting due to work and culture, and women were 53 per cent more likely to consider quitting due to culture than men.<sup>5</sup>

These issues can be particularly problematic when, as outlined above, the apprentice support system often fails to provide meaningful support – for example, men are 50% more likely to have regular contact with their AASN than women, and women were 10% more likely to have never received any support from their AASN - once again failing to fulfill a recommendation of the *ILO Recommendation No 208 on Quality Apprenticeships*.<sup>6</sup> This can leave apprentices without anyone to turn to when facing difficulties in the workplace – meaning that quitting and cancelling their training contract can feel like the only option.

The insidious nature of many of these issues means that data regarding their prevalence can be hard to find. Our affiliates unions, of course, have access to large amounts of anecdotal information regarding the mistreatment of apprentices – it is unfortunately so common that anecdotes can begin to feel like quantitative data – but there are few attempts to gauge the true prevalence of this issue.

Numerous studies have found that young workers are more likely to face exploitation in the workplace<sup>7</sup>, experience unsafe work environments leading to injury or receive inadequate safety training<sup>8</sup> and to experience bullying and harassment<sup>9</sup>. If anything, apprentices are arguably more likely to experience some of these issues due to the nature of their roles.

Employers need to take greater responsibility and a more active role in providing apprentices with a safe and supportive workplace and ensuring that their experience in the workforce meets their expectations. This can partially be facilitated by removing access to apprentices to the worst offending employers, but also by the active fostering of a culture of quality and responsibility among employers who have apprentices or receive incentives.

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<sup>5</sup> Parliament of Australia, *Inquiry into the Perceptions and Status of Vocational Education and Training*, 2024. [Online](#)

<sup>6</sup> ILO, op. Cit - Recommendation 22: Members should take effective measures to prevent and eliminate discrimination, violence and harassment and exploitation against apprentices and provide access to and appropriate effective remedies.

<sup>7</sup> Griffith University, *Research finds majority of young workers face exploitation and harassment in their first job*, 2019. [Online](#)

<sup>8</sup> ACTU, *Work Shouldn't Hurt 2023*, 2023. [Online](#).

<sup>9</sup> Mckell Institute, *Working, Learning*, 2022, [Online](#).

## **Recommendations**

10. Take actions to foster a culture of quality workplace experiences for apprentices. This must include preventing employers with a history of safety violations or complaints about workplace bullying from accessing apprentices.
11. Expand efforts to determine when apprentices are experiencing these issues and take action to support those apprentices, including reform of the apprenticeship support system as outlined above.

### **Improve apprentice matching.**

Australia is often failing to provide effective pre-apprenticeship programs to improve matching and completions as recommended under *ILO Recommendation No 208 (2023) on Quality Apprenticeships*.<sup>10</sup> Poor matching between the interests and aptitudes of apprentices and the reality of work in their sector can lead to apprenticeship cancellations, particularly in the first year of an apprenticeship. This occurs because many school leavers have either had no pre-vocational experience to allow them to get a 'feel' for the reality of work in their chosen sector or because the pre-vocational experience they had was poorly tailored to provide the information they needed. Apprentices fail to have a meaningful pre-vocational experience for a variety of reasons.

Firstly, many schools and career counsellors (where they exist) actively attempt to discourage many students from undertaking a VET career. Due to poor perceptions of VET careers among the general public, schools and parents, many students are denied access to pre-vocational programs through neglect of VET pathways in schools and a lack of parental action to facilitate such pathways. These attitudes often lead to students undertaking a VET apprenticeship pathway without having a meaningful experience of the work and workplace prior to doing so – leading to poor matching outcomes.

Many students who do receive a pre-vocational experience receive one that is poorly designed to provide a realistic experience of their likely future career. Due to combination of funding issues and the placement of true pre-vocational courses outside of the AQF model, many students in schools who wish to undertake apprenticeship pathways are pushed towards Certificate II qualifications in their chosen field. These qualifications however are not designed as pre-vocational experiences and are instead designed to train a worker to undertake a particular occupation – an occupation which may have little or no relevance to the work undertaken by an

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<sup>10</sup> ILO, Op. Cit. Recommendation 25 (l) *establishing needs-based pre-apprenticeship programmes with a focus on increasing the rates of participation, retention and success in apprenticeships persons by belonging to one or more vulnerable groups or groups in situations of vulnerability;*



apprentice or fully qualified worker. These Certificate II qualifications therefore function poorly in this role for which they were not designed – that of a pre-apprenticeship. This disconnect creates false expectations which are then not met by the experience of the actual apprenticeship.

These issues necessitate a fundamental reform of apprentice matching and pre-vocational experiences. A model that is being developed by the Australian Manufacturing Workers Union (AMWU) in Queensland involves a curriculum-based approach designed to give prospective apprentices a clear understanding of the work they will undertake as an apprentice as well as the in-classroom training experience. This model will also provide students who undertake it a pay progression acceleration when they begin their apprenticeship to incentivise engagement in the program. This model, or something like it, can form the basis for a fundamental rethink of how we approach matching in order to reduce cancellations and provide apprentices with more fulfilling careers.

### **Recommendations**

- 12. Reform matching and pre-vocational experiences to provide prospective apprentices with a true experience of their chosen career.*
- 13. Adjust funding and other incentives to steer prospective apprentices towards legitimate pre-vocational experiences.*
- 14. Consider measures recommended by other reviews to enhance the status and perception of VET careers.*

### **Term of Reference 4**

consider the effectiveness of the Incentive System and associated services and support in creating training environments that encourage the take up and completion of apprenticeships and traineeships by women and people who face additional barriers to undertaking training (including people in rural, regional and remote areas and First Nations peoples);

#### **Measures to enhance the participation of women and other cohorts in apprenticeships.**

Many VET careers, including those which offer apprenticeship pathways are either heavily male or female dominated. There is also commonly a lack of Aboriginal and Torres Strait Islander people. These pathways have also traditionally been harder for people living in regional and remote areas to access. Unions believe a suite of reforms are needed to facilitate the access of these cohorts to apprentice pathways and fulfil recommendations 20 and 21 from the *ILO Recommendation No 208 (2023) on Quality Apprenticeships* – that members take measures to promote quality, diversity and social inclusion in apprenticeships and to promote gender equality.

These measures may be specifically targeted at these cohorts, or be broader reforms to VET itself:

- *Better access to accommodation for apprentices* – Apprentices, particularly in rural and remote areas, are often left struggling to find somewhere to live while on the worksite. Some apprentices, particularly those under 18, struggle to source private commercial accommodation. This issue can be particularly acute for Aboriginal and Torres Strait Islander peoples, who are more likely to live in remote or regional Australia and have seen access to apprenticeships reduced by regional TAFE campus closures. More must be done to support apprentices in finding appropriate accommodation near their workplace.
- *Procurement targets* – some states, like Victoria, are already seeing success in increasing marginalised cohort participation in trades through mandated targets for apprentices as part of large infrastructure projects. It is critical to note that these programs include meaningful monitoring and compliance – meaning that the targets are real and there are consequences for employers failing to meet them. Lessons from these successful programs should be integrated into current government plans like the National Skills Guarantee. Consideration should be given to the design of these measures, such as the inclusion of targets for 2<sup>nd</sup> and 3<sup>rd</sup> year apprentices, to avoid poaching of apprentices from other industries or employers.
- *Incentives targeted specifically at minority cohorts* – employers should be able to access higher incentives if they are employing an apprentice of the opposite gender in a gender-dominated industry or an apprentice of Aboriginal or Torres Strait Islander background.
- *Support for Literacy and Numeracy* – Some Aboriginal and Torres Strait Islander people do not speak English as their first language or may have issues with numeracy – both of which act as barriers to apprenticeships. Measures should be taken to address these issues.
- *Safe and Inclusive Workplaces* – Many VET careers are currently male-dominated and have workplace cultures, equipment and facilities designed with men as the default. For these workplaces to be attractive to women, this must change. Achieving this requires actions ranging from the provision of gender-based violence training to employers, employees, trainers and students through to ensuring that available PPE fits women or even the presence of bathrooms or changerooms for women. The provision of culturally safe workplaces for Aboriginal or Torres Strait Islander peoples also needs to be prioritised.
- *Financial support* – the cost of training, including tools and equipment, as well as lost wages during training and low apprentice wages often act as a significant disincentive for

women, Aboriginal and Torres Strait Islander people and other marginalised cohorts to undertake apprenticeships. Marginalised cohorts need direct financial support to undertake training and this should be strongly considered in order to increase training uptake. Specific scholarships for women and other cohorts should also be more widely utilised. Initiatives that provide financial assistance for women or other cohorts to develop their careers should also be considered.<sup>11</sup>

- *Address all forms of discrimination and harassment* – Marginalised groups experience higher rates of discrimination and harassment in the workplace, including Aboriginal and Torres Strait Islander people, young adults, people living with disability, the LGBTQIA+ community, migrants and refugees, and people of colour. There should be positive and enforceable legal duties on employers under relevant anti-discrimination laws to eliminate all forms of discrimination and harassment and advance equity. There should also be a broad prohibition of all forms of workplace discrimination and harassment in the Fair Work Act and the FWC should have powers to deal with these matters through access to stop orders and other remedies.

### **Recommendations**

15. *Implement the reforms outlined above to enhance the participation of women, Aboriginal and Torres Strait Islander peoples and other marginalised cohorts in apprenticeships.*

### **Issues not covered in the Terms of Reference**

In addition to those outlined above, there are a number of issues in the apprenticeship space which do not strictly meet the scope of the Review which we believe nonetheless should be considered in order to fully address the issues driving commencements and completions by apprentices. While we understand the Review may not be able to make recommendations in these areas, we would welcome findings that highlight these issues and refer them to Government for further consideration.

### **Poor quality traineeships.**

There are a number of traineeships which have low rates of commencement not due to the factors outlined above but because they are generally recognised to be low quality. There are other traineeships which are used more but for which unions would prefer not to see significantly increased levels of commencement or significant incentives provided for the same reason –

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<sup>11</sup> An example is the The Ngangkita Ngartu (Aboriginal Family Birthing Program) at the Women's and Children's Hospital in South Australia supports women to work with midwives to develop awareness and skills related to midwifery practice. [Women's and Children's Hospital • Ngangkita Ngartu \(Aboriginal Family Birthing Program\) \(wch.sa.gov.au\)](http://wch.sa.gov.au)

some of which are in the Retail and Fast-Food industries. These traineeships are often used by employers as an opportunity to gain access to an employee at a discounted rate of pay (in an already low paying industry) and often fail to provide meaningful training. Even worse, workers who undertake these traineeships are often dominated by low paid and insecure work and receive little in the way of pay or career path outcomes following the completion of the traineeship. These industries would benefit from a properly designed and effective traineeship program as they are skilled occupations in which the skills of the workers involved are often under-recognised and under-valued.

Nevertheless, until reform occurs to institute such a program in these industries, they are illustrative of a clear need to consider the quality of an apprenticeship program and its outcomes prior to any decision being made to seek to increase enrolments or completions in a particular program.

### ***Suggested findings***

- 1. That the Review find that consideration of the quality of an apprenticeship program should be part of any consideration of incentives for that program and that efforts be made to reform low quality apprenticeships where they occur in concert with industry.*

### **Some industries are not structurally suited for apprenticeships.**

There are some industries, such as aged and disability care, in which take up of traineeships is low due to structural issues and changes to the incentive system without allowances for these structures are unlikely to be effective. For example, in the disability care industry and the NDIS, most care is funded on a 1:1 basis – a worker is funded a set amount to provide care to a client and the money cannot be used for any other purpose. This funding models usually provides funding only to cover the cost of the single worker providing that service and is based on the economic cost of providing that service. While this model is effective at ensuring people with disability receive the care they need, it effectively prevents the use of a traineeship model as there is no additional funding available for the apprentice. The disability sector is also fundamentally immature – meaning many employers in the sector lack the experience or sophistication to successfully operate a traineeship program.

Aged care presents similar issues – funding is often 1:1 and providers lack the ability to fund apprentice positions or to backfill for supervisory staff. These realities are exacerbated by the fact that there are no minimum qualifications to work in these industries – meaning that many workers feel the low pay of a traineeship, which often lacks a significant pay outcome on completion, is not worth it when they can start work at full pay immediately. It is our view that employers in these industries, who are largely government funded, should have an obligation to train staff through traineeships, but that this obligation should be accompanied by specific funding to facilitate that training.

Many workers in these industries are interested in improving their skillset but see unpaid placements as a significant barrier to undertaking training. An Earn While You Learn model like an apprenticeship would be ideal for these workers and would assist in developing a minimum standard in these industries – making the removal of these barriers a crucial reform.

### ***Suggested Findings***

- 2. That the Review find that structural issues prevent apprenticeship take-up in some industries and that reforms to those industries be considered to address those issues in concert with any changes to the incentive system.*

### **Regulation of some industries disincentivises apprenticeships**

Similar to the above, there are industries where regulatory frameworks act as a significant disincentive for employers to take on apprentices. For example, in the energy sector spending on training is classified by the regulator as an ‘inefficient’ use of money (in that it is not directly linked to the provision of services) and can result in a business which invests in training receiving lower ratings from the regulator.

These ratings are critical to the business and are unlikely to be outweighed by whatever incentives the government may offer to provide apprentice positions. Clearly, this is an unacceptable state of affairs – these rules actively disincentivise employers from taking on apprentices and from fulfilling their responsibility to contribute to the training of the workforce on which the entire industry relies. More information on this matter can be found in the Electrical Trades Union submission to this inquiry.

### ***Suggested Findings***

- 3. That the Review makes a finding regarding the existence of disincentives outside of the apprenticeship system and recommends a consideration by Government of these externalities.*

## **Summary of recommendations and findings requested.**

### **Recommendations**

- 1. Refocus incentives to employers to reduce front-loading and encourage apprentice completion.*
- 2. Include consideration of an employer’s previous success (and failures) in determining their eligibility for future incentives.*
- 3. Refocus the payment of incentives away from employers and towards directly incentivising apprentices.*

4. *Apprentice incentives should be carefully designed to maximise awareness and take-up.*
5. *Ensure that employer incentives only go to employers who are meeting their basic legal obligations to their apprentices. Employers in the bottom quartile of apprenticeship completion rates in their industry should be strongly considered for denial of future incentives.*
6. *Immediately raise apprentice pay by eliminating junior rates for apprentices.*
7. *Consider what action is needed from Government to facilitate a broader increase for apprentices, including consideration of utilising the prevailing wages in industry as a base for apprentice wage calculation where appropriate.*
8. *Measures to cut the costs faced by apprentices such as providing health care card access for apprentices.*
9. *Reform apprentice support in line with the principles outlined above and as called for in the findings of the Inquiry into the Status and Perception of VET.*
10. *Take actions to foster a culture of quality workplace experiences for apprentices. This may include preventing employers with a history of safety violations or complaints about workplace bullying from accessing apprentices.*
11. *Expand efforts to determine when apprentices are experiencing these issues and take action to support those apprentices, including reform of the apprenticeship support system as outlined above.*
12. *Reform matching and pre-vocational experiences to provide prospective apprentices with a true experience of their chosen career.*
13. *Adjust funding and other incentives to steer prospective apprentices towards legitimate pre-vocational experiences.*
14. *Consider measures recommended by other reviews to enhance the status and perception of VET careers.*
15. *Implement the reforms outlined above to enhance the participation of women, Aboriginal and Torres Strait Islander peoples and other marginalised cohorts in apprenticeships.*

## Findings

1. *That the Review find that consideration of the quality of an apprenticeship program should be part of any consideration of incentives for that program and that efforts be made to reform low quality apprenticeships where they occur in concert with industry.*

2. *That the Review find that structural issues prevent apprenticeship take-up in some industries and that reforms to those industries be considered to address those issues in concert with any changes to the incentive system.*
3. *That the Review makes a finding regarding the existence of disincentives outside of the apprenticeship system and recommends a consideration by Government of these externalities.*



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