



Australian Government
Department of Education,
Skills and Employment

Australian Apprenticeship Incentives System Reform

Regulation Impact Statement





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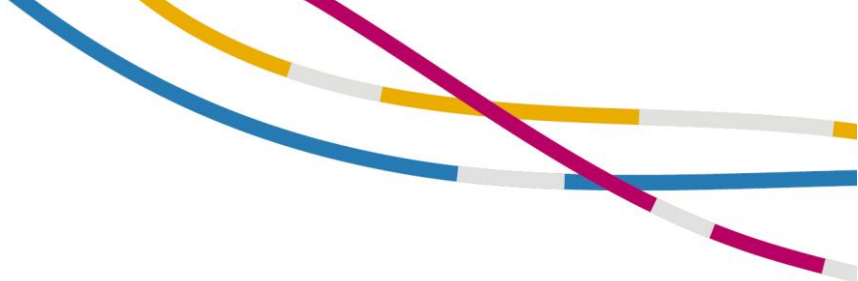
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Glossary

AAIP	Australian Apprenticeships Incentives Program
AAIS	Australian Apprenticeships Incentive System
AASN	Australian Apprenticeship Support Network
AAWS	Australian Apprenticeship Wage Subsidy
ABS	Australian Bureau of Statistics
ADMS	Apprenticeships Data Management System
AIHW	Australian Institute of Health and Welfare
AISS	Additional Identified Skills Shortage Wage Subsidy
ANZ	Australia and New Zealand Banking Group Limited
ANZSCO	Australian New Zealand Standard Classification of Occupations
ASbA	Australian School-based Apprenticeship
ASQA	Australian Skills Quality Authority
ATO	Australian Taxation Office
BAC	Boosting Apprenticeship Commencements Wage Subsidy
CAC	Completing Apprenticeship Commencements Wage Subsidy
CPI	Consumer Price Index
DAAWS	Disability Australian Apprentice Wage Support
FFSP	Financial Framework (Supplementary Powers)
GTO	Group Training Organisation
IAA	Incentives for Australian Apprenticeships Program
ITS	In-Training Support
IVI	Internet Vacancy Index



LAFHA	Living Away From Home Allowance
NASWD	National Agreement for Skills and Workforce Development
NCVER	National Centre for Vocational Education and Research
NSA	National Skills Agreement
NSC	National Skills Commission
NSNL	National Skills Needs List
OECD	Organisation for Economic Cooperation and Development
Priority List	Australian Apprenticeships Priority List
RBA	Reserve Bank of Australia
RTO	Registered Training Organisation
SAT	Supporting Apprentices and Trainees Wage Subsidy
SPL	Skills Priority List
SSON	Skills Senior Officials' Network
STA	State/Territory Training Authority
The Department	Department of Education, Skills and Employment
TSL	Trade Support Loans
TtW	Transition to Work
TYIMS	Training and Youth Internet Management System
VET	Vocational Education and Training



Executive Summary

The training and qualifications gained through Australian Apprenticeships are vital to developing the highly skilled workers that are essential to the future of the Australian labour force. Australian Government investment in the apprenticeships sector for both employers and apprentices is needed to support the uptake of apprenticeships and to support completions.

This Regulation Impact Statement (RIS) provides policy options for Australian Government action to improve the Australian Apprenticeships system. It focuses on how the Department implements the Australian Government's commitment to ensure there is a pipeline of skilled apprentices and trainees in priority occupations to support and grow the economy.

Prior to the introduction of COVID-19 response measures to support the apprenticeships system, the number of Australian Apprentices commencing and completing an apprenticeship or traineeship had been in decline. This contributed to persistent skills shortages in priority occupations across the economy. Key issues with the pre-COVID-19 apprenticeship incentives system (the Australian Apprenticeships Incentives Program (AAIP)) included:


- Incentives were not targeted to meet skill shortages;
- Costs remained high and were increasing for both the employer and the apprentice;
- Incentives did not focus on the decision maker;
- Incentives were difficult to navigate and understand; and
- Non-financial support was needed for apprentices.

The COVID-19 response measures, particularly the Boosting Apprenticeship Commencements (BAC) wage subsidy, were effective in turning the decline in apprenticeship commencements around. However, the BAC measure came at a very substantial cost to the Australian Government.

There is a need to reset the Apprenticeship Incentives system to a more fiscally sustainable model, that better targets investment to support priority commencements and completions.

The most effective policy option – a reformed Australian Apprenticeships Incentive System (AAIS) – targets government investment to the skills in demand. To provide time to assess the impact of implementation and how the market reacts to changes in the system, the RIS recommends the AAIS is delivered in two phases. The two phased approach will provide support to priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment to priority occupations only from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program, transitioning to a more fiscally sustainable model.

- The first phase of this option (1 July 2022 to 30 June 2024) features a wage subsidy for employers of apprentices in priority occupations, a hiring incentive for employers of apprentices in non-priority occupations, and a direct training support payment to apprentices in priority occupations.
- In the second phase (from 1 July 2024 onwards), financial support will be stabilised around 2019 levels and will only be available for apprentices in priority occupations and their



employers. The wage subsidy will be replaced with a hiring incentive and the direct training support payment will be reduced. The hiring incentive for non-priority apprentices will be removed.

The RIS assesses three options:

Option 1: Implement the Incentives for Australian Apprenticeships (IAA) program formally agreed in the 2019-20 Budget but not yet implemented. This would streamline the existing system but would not achieve any additional commencements or completions in priority occupations recognised as in skills need, due to minimal funding for priority apprentices (no regulatory cost).

Option 2: Modernise and simplify the current program to respond to emerging economic conditions, reduce administrative burden and provide additional support to young Australian Apprentices. Funding would be directed to priority occupations but there would be no support for non-priority occupations (minor annual regulatory cost savings of \$3.6 million).

Option 3: A phased model – modernising and simplifying the current program in two phases focusing on supporting employers and apprentices in priority occupations, with support for non-priority occupations tapering over time (annual regulatory cost burden of \$14.6 million).

Option 3 is identified as the most cost-effective mechanism to transform the Australian Apprenticeships system by focusing investment to areas of priority based on the Australian Apprenticeships Priority List (Priority List) to ensure a pipeline of Australian Apprentices to support Australia's economic recovery.

This RIS has been developed in accordance with the *Australian Government Guide to Regulatory Impact Analysis* and in consultation with the Department of the Prime Minister and Cabinet's Office of Best Practice Regulation (OBPR).



Chapter One: Introduction and Context

The aim of the Regulatory Impact Statement (RIS) is to identify the option that most effectively and efficiently improves the Australian Apprenticeships system to address skill shortages and encourage more individuals to take up apprenticeships in priority areas.

1.1 What is an Australian Apprenticeship?

An Australian Apprenticeship is a pathway to a nationally recognised qualification that allows anyone of working age to earn an income while they learn. It combines learning in the workplace (on-the-job) and structured learning (off-the-job) resulting in a Vocational Education and Training (VET) qualification.

The Australian Government definition of an Australian Apprenticeship incorporates both apprenticeships and traineeships.¹ Generally, apprenticeships are in a skilled trade, and usually take three to four years to complete, for example: electricians, plumbers and hairdressers. Traineeships are generally in non-trade occupations (with some exceptions), but are often shorter in duration and take one to two years to complete. Traineeships are primarily in retail, hospitality and many of the caring qualifications including aged and disability carers, childcare workers, and enrolled nurses. Individual state and territory governments identify which qualifications are apprenticeships or traineeships under their own legislative frameworks. Data from the National Centre for Vocational Education Research (NCVER) shows the split of Australian Apprentices in-training between trades and non-trade is around 63 per cent to 37 per cent.²

1.2 Who are Australian Apprentices?

As of 30 June 2021, there were 341,385 Australian Apprentices in-training. This equates to just over two per cent of workers across the country who were employed as an apprentice or trainee. In trade occupations alone, almost 12 per cent of employed workers were an apprentice or trainee.³ Australian Apprenticeships can be completed by anyone of working age, regardless of their level of educational attainment. Apprentices can be still at school, school-leavers, people re-entering the workforce or an adult worker who is changing careers. As of 30 June 2021, of all Australian Apprentices in training:

- Almost two-thirds were aged 24 years or younger;
- Around 72 per cent identified as male and 28 per cent as female;
- 34 per cent were in regional locations and four per cent in remote locations;
- Around six per cent identified as Indigenous Australians; and
- Three per cent reported having a disability.⁴

¹ The use of 'apprenticeships' throughout this document refers to both apprenticeships and traineeships.

² NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022)

³ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022)

⁴ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022)

1.3 Delivery of Australian Apprenticeships

The Australian Apprenticeships system is a responsibility shared between the Australian Government and state and territory governments. The Australian Government contracts and manages the Australian Apprenticeship Support Network (AASN) to deliver services to apprentices and their employers and provides incentives through the Australian Apprenticeships Incentives Program (AAIP). The state and territory government role relates to funding VET training (which includes the off-the-job training component for apprentices), regulation and management of legislative requirements in their jurisdictions. States and territories also locally administer jurisdictional apprenticeships incentives systems, which eligible employers and apprentices may access in addition to those incentives provided under AAIP.

An Australian Apprenticeship is underpinned by a legally binding document under the relevant state or territory legislation called a Training Contract. This contract specifies roles and responsibilities, including training provision both on and off the job, the payment of wages under relevant awards, and is supported by the employment agreement between the employee and employer.

Table 1: Overview of the key individuals and organisations involved in the apprenticeship process

Organisation	Involvement in apprenticeship process
Australian Apprenticeship Support Network provider (AASN)	Organisations contracted by the Australian Government to deliver Australian Apprenticeship support services, including supporting the sign-up process, providing advice on Australian Apprenticeships, explaining roles and responsibilities, offering personal services such as mentoring, counselling, and pastoral care.
Australian Skills Quality Authority (ASQA)	The national regulator for Australia’s VET sector.
Department of Education, Skills and Employment (DESE)	Advises the Minister for Employment, Workforce, Skills, Small and Family Business on apprenticeships policy; manages and oversees the AASN providers and administration of the AAIP.
Employer	A person, business, or organisation (includes Group Training Organisations) that hires and pays staff for their work and conforms with Australian Government and state and territory legislation relating to Australian Apprenticeships.
Group Training Organisation (GTO)	Employs Australian Apprentices under a Training Contract and places them with host employers. The GTO undertakes the employer responsibilities for the quality and continuity of Australian Apprentices’ employment and training, including payment of wages. The GTO also manages the additional care and support necessary to achieve the successful completion of the Training Contract.

Organisation	Involvement in apprenticeship process
Registered Training Organisation (RTO)	Is registered by the appropriate registering body to deliver training, conduct assessments and issue nationally recognised qualifications in accordance with the VET Quality Framework.
State/Territory Training Authority (STA)	The State or Territory Government body responsible for the operation of the VET system, including Australian Apprenticeships, within that jurisdiction.

Current regulatory and administrative framework

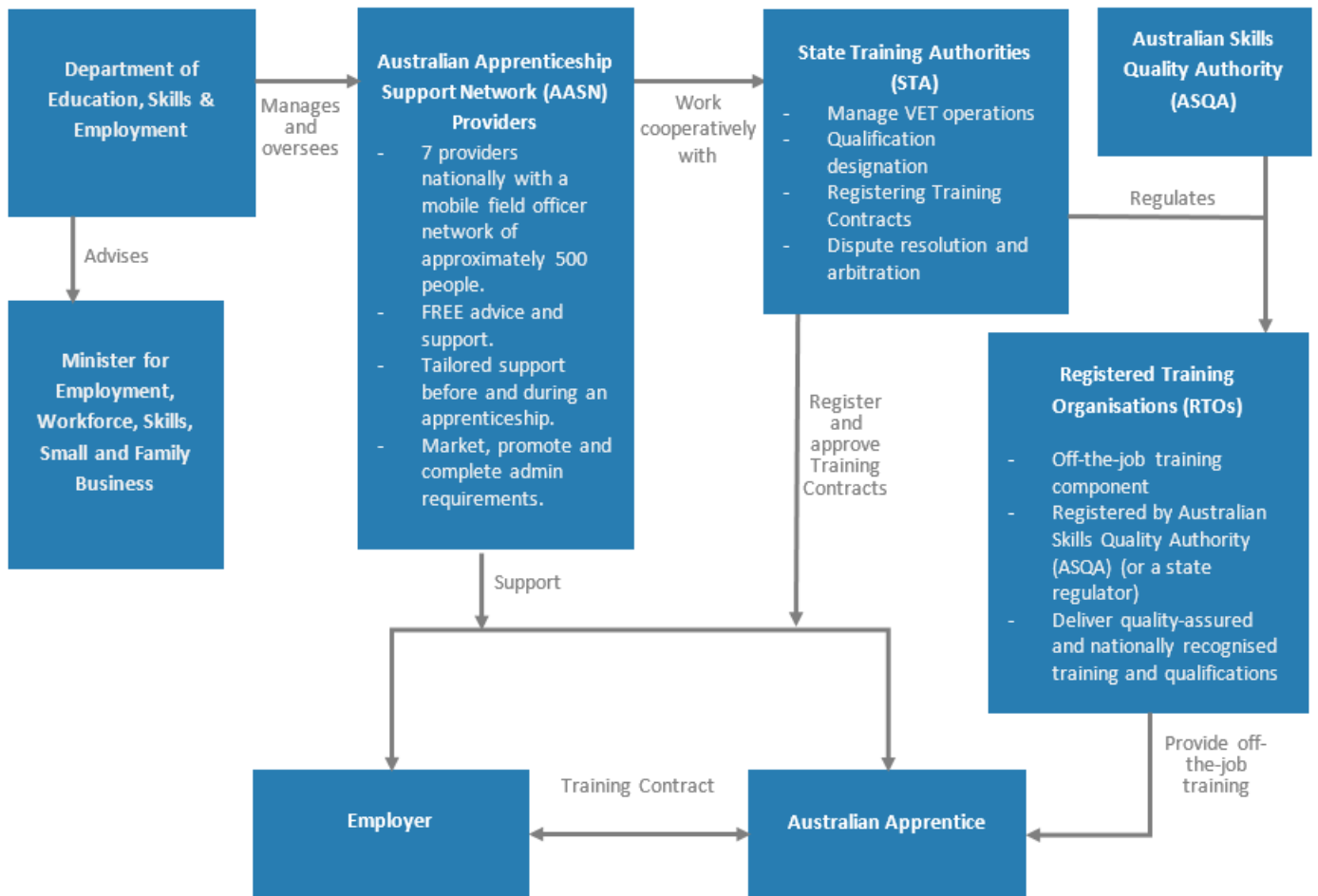
The stakeholders listed in Table 1 each have their own roles and responsibilities on the Australian Apprenticeship pathway. The AASN is often the first point of contact for employers and prospective apprentices to support them in navigating the Australian Apprenticeship system.

Before an apprenticeship can formally commence, an employer must offer to support a new or existing employee in an apprenticeship pathway and sign a Training Contract. The Training Contract also needs to detail an RTO to provide the formal training component. Each state and territory maintains a list of approved RTOs to deliver particular qualifications. Once signed, the Training Contract needs to be approved by the STA. Eligible apprentices and employers for Australian Government incentives apply, with the support of the AASN.

Employers are required to meet legal obligations associated with hiring under an Australian Apprenticeship, and to conform with Australian Government and state and territory legislation. They must also provide a safe working environment, support structured training on site and in the classroom, provide adequate supervision and support, and ensure Australian Apprentices are aware of their rights and responsibilities.

Eligibility for payments under the AAIP may depend on whether an employer or Australian Apprentice is receiving other Australian Government assistance. Generally, employers are not eligible for wage subsidies under the AAIP if they are already in receipt of an equivalent Australian Government wage subsidy, including the JobMaker Hiring Credit and the previous JobKeeper Payment. As an example, the *Social Security Act 1991* and the AAIP program guidelines prohibit an Australian Apprentice from attracting the Living Away From Home Allowance (LAFHA) and Youth Allowance, Austudy, or ABSTUDY at the same time. For further information on the history of the AAIP, please see Attachment A.

Figure 1: Role of different stakeholders in the Australian Apprenticeships Incentives Program system





1.4 Programs across the Department

Australian Apprenticeships are only one pathway across the Australian Government's Skills and Training Portfolio designed support employment and a skilled workforce as the economy recovers. Young people can be encouraged to take up an apprenticeship pathway through schools and other programs such as Workforce Australia; the Transition to Work (TtW) youth employment program. Promotion of pre-apprenticeship programs through these services can increase the likelihood of successful transition into and completion of an apprenticeship. Young people may also choose to study a VET qualification without completing an apprenticeship, for example through JobTrainer, which offers free, or low fee training for any Australian aged between 17 and 24.

Australian apprentices make up only around two per cent of the Australian workforce⁵ and eight per cent of total participation in the Australian VET sector.⁶ As such, it is important to consider the impact of shifting apprenticeship incentives as one component of the broader economy. For example, a reduction in estimated apprentice and trainee commencements does not cause a reduction in job opportunities, rather a reduction in the use of an apprenticeship or traineeship pathway to develop a skilled workforce. Jobs will still be available, and demand of labour will still exist but there will be greater competition for skilled and qualified labour, rather than employers investing in workforce development.

The pricing elasticity research used in this RIS seeks to estimate the impact of incentive levels and various support models, and to determine anticipated changes in apprentice commencements, that is to ascertain at what point employers believe it is worth the cost to take on an additional apprentice.


Importantly, the impact is different depending on the occupation that the apprenticeship or traineeship leads to. In particular, for some occupations, an apprenticeship is the primary entry pathway and may be mandated as part of the industrial relations system. A drop in commencements in those occupations will likely lead to skill shortages in the future. However for occupations where there is an optional traineeship pathway, a reduction in traineeship commencements may not necessarily result in skill shortages in the future, with employers electing to train staff in other ways outside of the formal traineeship model.

1.5 Incentives for Australian Apprenticeships

Since the Australian Government first delivered incentives for apprenticeships in the early 1960s, various rebates, subsidies, and incentive payments have been introduced, altered, or removed with differing goals depending on the policy objectives of the day. These have included commencement and completion payments for both employers and apprentices, wage subsidies and additional incentives for employers of specific cohorts, such as women and disadvantaged or long-term

⁵ NCVER (2020) *Apprentices and trainees 2020 – June quarter*, www.ncver.edu.au (accessed 21 March 2022)

⁶ NCVER (2021) Total VET students and courses 2020, NCVER, Adelaide. (DataBuilder)



unemployed job seekers, as well as incentives aimed at specific skill areas, such as sports and technical education.

Australian Apprenticeships Incentives Program

Introduced in 1998, the AAIP sought to increase apprenticeship commencement and completion rates through the provision of a standard set of incentives and additional incentives for specific cohorts such as women in non-traditional occupations and apprentices with a disability.

Since the introduction of the AAIP, changes have been made to the program to respond to shifting policy priorities, economic cycles and emergency situations. Over time, the AAIP has included incentives targeted to:

- Meet specific skills shortages, both with a national and local focus;
- Grow skills in emerging policy priority areas;
- Support apprentices with costs associated with their work, such as protective equipment and tools;
- Include disaster recovery initiatives;
- Eliminate poaching (the employer's completion incentive payment had to be shared with other businesses making a major contribution to training the Australian Apprentice);
- Appeal to small and medium businesses; and
- Include employers of specific cohorts, such as school-based apprentices, mature-aged apprentices, women, apprentices with a disability, apprentices with a rural or regional background and Indigenous apprentices.

Incentives have been delivered through a combination of wage subsidies, flat rate payments, vouchers, loans and rebates. These supports have also varied in eligibility and administration. Alterations to the program and the addition of new payments have resulted in today's complex AAIP framework that includes over 30 payment types that primarily target employers.

AAIP: Main support categories

Support for employers:

- Standard and targeted incentives;
- Additional Identified Skills Shortage (AISS) payment;
- Australian Apprenticeships Wage Subsidy (AAWS) trial;
- Disabled Australian Apprentice Wage Support (DAAWS); and
- Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) measures.

Support for apprentices:

- In-Training Support (ITS);
- Additional Identified Skills Shortage (AISS) payment; and
- Living Away From Home Allowance (LAFHA).

Specific information on current incentives for apprentices can be found at Attachment B.



Delivery of the Australian Apprenticeships Incentives Program

The AASN delivers the AAIP on behalf of the Australian Government. The AASN is responsible for delivery of all Australian Government apprenticeship programs, including payments under the AAIP and Trade Support Loans (TSL).

With over 400 locations nationwide, the AASN provides two service types to employers and apprentices throughout the apprenticeship lifecycle:

- Universal services for clients, including essential administrative support, payment processing and regular contact; and
- Targeted services, also known as gateway and ITS, that provide services such as mentoring for both employers and individuals requiring additional support to complete the apprenticeship.

Core services currently provided by AASN providers include undertaking and processing apprentice sign-ups to Training Contracts, facilitating access to Australian Government incentives and TSL, as well as marketing apprenticeships. Additional services include gateway screening services to support individuals interested in pursuing an apprenticeship pathway, and ITS to assist apprentices and trainees currently in training, to complete their apprenticeship or traineeship. The AASN provides free tailored support to new and existing apprentices and their employers, as well as those deciding on a career pathway.


COVID-19 economic response measures

The Supporting Apprentices and Trainees (SAT) and BAC wage subsidies were introduced in 2020 as short-term measures to support and protect apprenticeships during the COVID-19 pandemic. These interventions recognised that apprentices and trainees are often the first to lose their job during times of economic downturn and that many businesses are reluctant to take on new and/or inexperienced workers during uncertain economic situations.

Introduced in March 2020, the SAT was a retention measure designed to shield apprentices and trainees from the economic fallout of the COVID-19 pandemic. The estimated \$1.4 billion expended on SAT contributed to retaining around 134,500 apprentices since its introduction. Early program data shows apprentices whose employers attracted the SAT wage subsidy were around 65 per cent more likely to complete and were twice as likely to resume their apprenticeship or traineeship from suspension than those eligible for SAT but who did not claim it.⁷ The SAT ceased on 31 March 2021.

Announced in October 2020, the BAC wage subsidy is targeted at encouraging apprenticeship commencements during the COVID-19 economic recovery period and seeks to create apprenticeship pathways and new opportunities for school leavers, job seekers and those looking to change careers. The BAC wage subsidy provides support for 50 per cent of apprentice or trainee wages (up to \$7,000 per quarter) and is paid to employers quarterly in arrears. The BAC is a broad-based wage subsidy available to apprentices and trainees undertaking Certificate II or higher qualifications in both trade

⁷ Internal Department data, unpublished



and non-trade areas and can be accessed by employers taking on new workers or seeking to reskill and upskill their existing workforce.

Since the introduction of the BAC in October 2020, the number of Australian Apprenticeship commencements has increased significantly. In the first three months of the BAC, commencements more than doubled (71,335 commencements compared to 28,705 October to December 2019).⁸ In 2022, the program continues to support an increase in commencements. NCVER reports a 59.5 per cent increase in commencements for the 12-month period ending 30 June 2021 when compared to the previous year.⁹ The BAC will close to new commencements on 31 March 2022.

In October 2021, the Australian Government announced the CAC wage subsidy to ease the transition for all BAC eligible employers by providing transitional support for the second and third year of an Australian Apprenticeship.

Under this measure, eligible employers will receive a wage subsidy of 10 per cent of wages paid to an eligible apprentice or trainee in the second year of their apprenticeship, to a maximum of \$1,500 per quarter, per apprentice. In the third year, eligible employers will also receive a wage subsidy of five per cent of wages paid to an eligible apprentice or trainee to a maximum of \$750 per quarter, per apprentice.

The incoming Incentives for Australian Apprenticeships program

In the 2019–20 Budget the Australian Government announced it would simplify and streamline incentive payments by replacing the AAIP with the Incentives for Australian Apprenticeships (IAA) program on 1 July 2020. The IAA would introduce a simplified payment structure, significantly reduce number of payment types, and streamline eligibility requirements to make it easier for employers to understand and claim incentives. The introduction of the IAA was delayed until 1 July 2022 to minimise disruption for employers and apprentices during the COVID-19 pandemic. During this time, the AAIP has remained in place to continue to provide support to employers and apprentices.

⁸ NCVER (January 2021) *Apprentices and trainees 2020 – December quarter*, www.ncver.edu.au (accessed 19 November 2021)

⁹ NCVER (January 2021) *Apprentices and trainees 2020 – December quarter*, www.ncver.edu.au (accessed 19 November 2021)



Chapter Two: Statement of the Problem

2.1 Apprenticeships are important to both the individual and the economy

Apprenticeships provide an important pathway to secure employment for apprentices and offer skilled labour which both employers and the Australian economy need. The challenges, however, of engaging individuals, employers and Vocational Education and Training (VET) institutions in such learning are significant. According to the Organisation for Economic Cooperation and Development (OECD), analysis of apprenticeship systems around the world shows that central to effective provision is the simple realisation that apprenticeships will only work well if they are attractive to both apprentices and employers.¹⁰ Getting the cost-benefit balance right for the apprentice, employer and the Australian Government is essential for effective policy.

Australia currently has a persistent shortage of skills in many industries, a large portion of which rely on apprenticeships as the main pathway for training and entry.¹¹ The Australian Government should intervene to ensure it is building the skills that Australia's economy needs to thrive in a post COVID-19 environment. Based on analysis from the National Skills Commission (NSC), 38 per cent of skills shortages are occurring in occupations with a vocational pathway. As such maintaining a steady supply of apprentices ensures there are skilled workers ready to fill the jobs Australia needs. Encouraging Australians to develop the skills needed to meet these shortages will also allow them to train in occupations most likely to provide secure employment in the future.

The supply of skilled workers to the labour market is crucial to supporting the growth of the Australian economy and creating new jobs for Australians. The shape of the Australian labour market has changed significantly over the past 40 years, with strong growth in higher skill level jobs, non-routine jobs and services. Generally, shortages are greatest among technicians and trades workers' occupations, including electricians, carpenters, chefs, fitters and motor mechanics. These are industries in which apprenticeships are a primary pathway.

A 2004 Inquiry into skill shortages by the Senate Committee of Education, Employment, and Workplace Relations found the consequences of skill shortages can be long lasting and serious. The Committee reported *'In the short term, enterprises may suffer increased recruitment or operating costs, reduced productivity, and constraints on business development and expansion. In the longer term, they may adapt their operations to a lower skills base or occupations or industries of national importance may disappear, and the economy as a whole may follow a 'low skills equilibrium'.*¹²

The NSC defines skill shortages as when employers are unable to fill or have considerable difficulty filling vacancies for an occupation, or significant specialised skill needs within that occupation, at

¹⁰ Organisation for Economic Compensation and Development (OECD) (2018) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

¹¹ Productivity Commission (2020), *National Agreement for Skills and Workforce Development Review*, Study Report (Accessed 16 March 2022)

¹² Senate Employment, Workplace Relations and Education References Committee (November 2003) *Bridging the skills divide* www.apf.gov.au (accessed 16 March 2022)

current levels of remuneration and conditions of employment, and in reasonably accessible locations. Skill shortages are caused by many different factors such as:

- People moving out of regional areas;
- Not enough training places for certain skilled occupations;
- Changes in technology; and
- Commencement of large projects in one region such as construction.¹³

Reforms to the apprenticeship system should seek to address the underlying reasons for skills shortages to encourage more individuals to take up apprenticeships in these areas.

For the individual, apprenticeships offer a unique model providing the opportunity to receive training while earning an income. On-the-job training facilitates an environment in which people who have not worked before can more easily transition into new industries. Apprenticeships can offer a viable path into employment for young Australians especially during periods of economic downturn and highly competitive labour markets. The OECD has found ‘...countries with a high share of youth in apprenticeships have lower rates of disconnected youth and youth experiencing a difficult transition to employment.’¹⁴

Before COVID-19, apprenticeship commencements were declining. Commencements fell 30 per cent between 2012 and 2019 and completion rates remained below 60 per cent.¹⁵ Barriers in the apprenticeships system limit apprentices from commencing or completing their training. Many apprentices struggle with low wages and lack of support. Employers of apprentices are also affected by the system, with high up-front costs, administrative burdens and high levels of cancellations.

In a tight labour market, in which there are low unemployment rates, apprentices have more employment options. For the best return on investment, reforms should focus on completions to ensure a pipeline of skilled workers is available in the medium term.

Table 2: Skill Level Projections – five years to November 2025

Skill Level	Employment level-November 2020 ('000)	National Skills Commission Projections		
		Projected employment level-November 2025 ('000)	Projected employment growth – five years to November 2025	
			('000)	%
Skill Level 1	4,451.1	4,974.2	523.1	11.8
Skill Level 2	1,538.3	1,640.6	102.3	6.6
Skill Level 3	1,898.0	1,965.9	67.9	3.6
Skill Level 4	3,046.7	3,280.4	233.7	7.7
Skill Level 5	1,945.3	2,010.0	64.6	3.3
Total Employment	12,740.6	13,732.3	991.6	7.8

¹³ Department of Education, Skills and Employment (2021) *What are skill shortages?* www.jobjumpstart.gov.au (accessed 28 July 2021)

¹⁴ Kuszera, M. OECD (2017) *Incentives for Apprenticeship*, Organisation for Economic Cooperation and Development, www.oecd-library.org (accessed 16 June 2021)

¹⁵ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, Study Report (Accessed 16 March 2022)

Skill Level 1 is commensurate with a Bachelor degree or higher qualification
Skill Level 2 is commensurate with an Advanced Diploma or Diploma
Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years on-the job training)
Skill Level 4 is commensurate with a Certificate II or III
Skill Level 5 is commensurate with a Certificate I or secondary education.

Source: National Skills Commission (June 2021)

2.2 There are barriers to the uptake and completion of Australian Apprenticeships

Apprentices face barriers to the uptake and completion of an apprenticeship, demonstrated by the long-term decline in the number of commencements and completions. Whilst apprenticeship commencement and completion numbers can be partially attributed to broader influences such as changing economic conditions, industry modernisation and shifts to higher education, a number of key reasons are explored below.

The decline in commencements and completions before COVID-19 economic response measures

Since 2012 and prior to the introduction of the COVID-19 response measures, apprenticeship commencements were declining, dropping 65 per cent from 376,900 in June 2012 to 133,500 in June 2020. The annual number of completions also declined, decreasing by 55 per cent from 187,600 to 84,000 completions between June 2012 and June 2020. In addition, there was a drop in the completion rate, from 59.7 per cent for apprentices who commenced in 2012, to 56.1 per cent for apprentices who commenced in 2016.

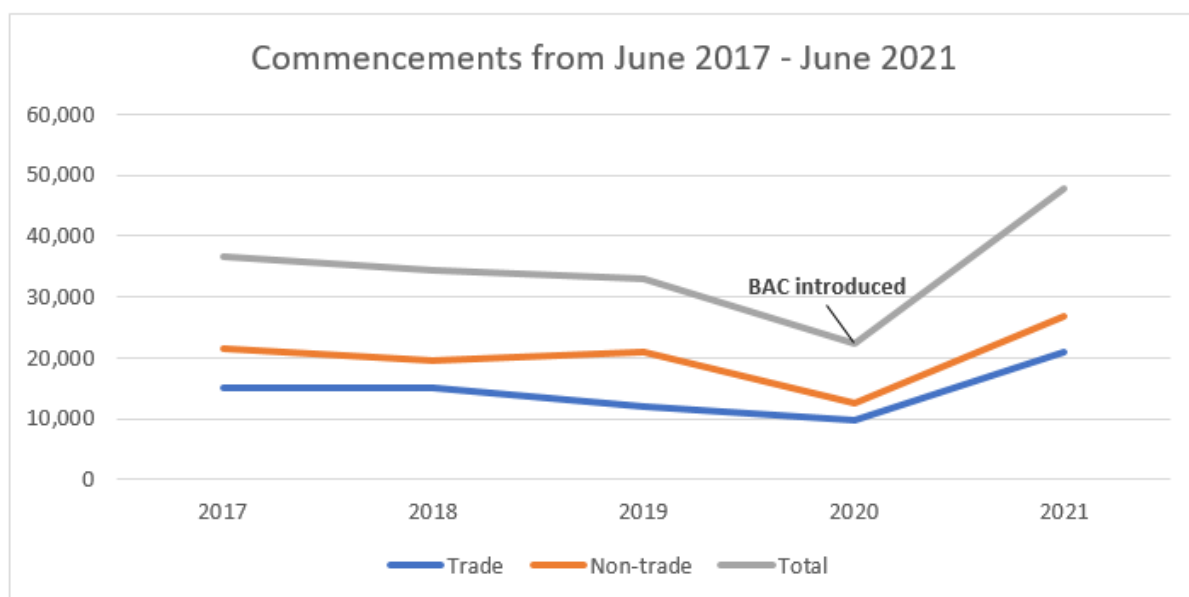
Approximately 83,000 fewer apprentices and trainees were in-training on 31 March 2021 when compared to 30 September 2013.¹⁶ Movement of young people away from apprenticeships to higher education and other work with higher rates of pay may have contributed to a drop in commencements. This decline was also driven by tightened eligibility and a series of policy changes in 2012-2013 which improved the apprenticeship system's ability to address skill shortages by focusing program investment on priority occupations. While program incentives continued to be available to support new workers, support for existing workers was limited to occupations on the National Skills Needs List or priority occupation list (aged care, disability care, child care or enrolled nurses). As a result of these policy changes the greatest decline since 2012 has been in non-trade apprenticeships (often traineeships) while traditional trade in-training numbers have remained relatively steady over time.

However, since the introduction of temporary COVID-19 support measures, commencements have been on the rise. Recent National Centre for Vocational Education Research (NCVER) figures show a 59.5 per cent increase in commencements in the last 12 months when comparing June 2020 commencements to June 2021. This reflects the positive effects of the temporary Boosting

¹⁶ NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, www.ncver.edu.au (accessed 1 November 2021)

Apprenticeship Commencements (BAC) incentive in supporting the pipeline of skilled workers during the COVID-19 pandemic.

Figure 2: Commencements over the past five years for apprentices and trainees¹⁷



The Supporting Apprentices and Trainees (SAT), BAC and Completing Apprenticeship Commencements (CAC) were implemented temporarily to sustain apprentice and trainee in-training numbers during the COVID-19 pandemic. The SAT launched in March 2020 at the beginning of COVID-19. The SAT wage subsidy was designed to keep apprentices and trainees connected to their employers by providing a 50 per cent wage subsidy for existing apprentices and trainees.

In addition, the 50 per cent wage subsidy provided under BAC introduced in October 2020 reversed the decline in commencement numbers and demonstrates the effectiveness of large-scale, broad Australian Government investment. The increase in commencements following the introduction of the BAC has had a positive flow on effect to in-training numbers. NCVER data shows around 341,385 apprentices and trainees were in-training as at 30 June 2021.¹⁸ This in-training number is the highest since March 2014 when there were 376,215 in-training.


Barriers for the employer

Employers may be constrained by several factors when hiring an apprentice including high upfront costs, risk of non-completion, difficulty in recruitment and needing to navigate a complex system. Addressing these barriers is a priority for reform and key to encouraging more employers to hire apprentices.

Employers have cited high hiring costs, particularly upfront costs, as a key barrier to engaging employees as an apprentice. Wage costs and other expenses associated with running a business have grown substantially over the past two decades, however the total standard apprenticeship

¹⁷ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022)

¹⁸ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022)



incentives available to employers have remained unchanged at around \$4,000 since 1998. In 2013 the Fair Work Commission made major changes to awards for apprentices including increased wages, wage progression based on competency, an introduction of adult apprentice rates and reimbursement of course fees. While improving conditions for apprentices, this has increased the cost of hiring an apprentice for employers and further disincentivises employers from engaging with apprenticeships.

Needing to devote time to supervise and train an apprentice may also be a barrier for employers. In the early years of an apprenticeship, when supervision costs are high and the productivity, whether perceived or actual, of an apprentice is low, for some employers, the time spent supervising an apprentice is time taken away from generating income or growing the business. This is a particular consideration for small and medium sized businesses, which employ more than half of all Australian Apprentices as well as employers who have not previously engaged an apprentice. This effect can be magnified during periods of economic downturn or uncertainty.

Hiring an apprentice can be considered a risky investment. The relative costs to the employer are higher if an apprentice does not complete their apprenticeship or decides to change employers. In this case, the employer neither benefits from greater productivity in the later years of the apprenticeship nor the skilled labour. This risk of non-completion can reduce an employer's appetite to hire an apprentice.¹⁹

In 2019, over 43 per cent of employers had difficulty recruiting employees. Of these employers, the main reasons for difficulty in recruitment were limited applicants and a shortage of skilled people in the industry.²⁰ A survey of employers conducted by the Department of Jobs and Small Business in 2017 found around 30 per cent of advertised trade apprentice vacancies went unfilled. Moreover, almost half of employers advertising vacancies received more than 20 applications, yet most candidates were regarded as unsuitable.²¹

The difficulties in recruitment are highlighted by the NSC job vacancy index, which reached its highest level in 13 years in October 2021 (250,900 jobs advertised) – 49.2 per cent (or 82,700 job advertisements) above pre COVID-19 levels. Job advertisements climbed 7.4 per cent from October to November 2021 – 52 per cent higher than a year earlier and 44 per cent above pre-COVID-19 levels.²²

During a review of Australia's VET system in 2019, employers identified complexity of incentives as a barrier, specifically describing the Australian Apprenticeships Incentives Program (AAIP) as difficult to navigate and understand.²³ This was supported by the Productivity Commission in 2020, which found the incentives system hard to use, especially for small and medium sized businesses that may have less capacity to navigate different programs. One employer specifically referenced having to


¹⁹ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)

²⁰ NCVET (2019) *Employers' use and views of the VET system 2019*, www.ncver.edu.au (accessed 15 June 2021)

²¹ Department of Jobs and Small Business (2017) *Labour Market for Apprentices*, www.dese.gov.au (accessed 23 June 2021)

²² ANZ Research (6 December 2021) *ANZ Australian Job Advertisement Series Media Release*, www.media.anz.com (accessed 15 March 2021)

²³ Joyce, S. (2019) *Strengthening Skills: An expert review of Australia's vocational education and training system*, Commonwealth of Australia



digest and understand the Aaip Program Guidelines as a large administrative burden with the potential to be an obstacle to hiring apprentices in itself.²⁴

Barriers for the apprentice

Low wages and the corresponding concern of not being able to meet ongoing costs of living are barriers to taking up an apprenticeship.²⁵ This is a particular constraint for longer qualifications of up to four years. This is supported by recent research by Wallis that found many apprentices struggle to balance work, study, a social life and household commitments, with 35 per cent of the apprentices surveyed finding the low level of pay challenging, especially during the first year. Apprentices who found low wages extremely challenging reported seeking food from charities, selling vehicles and relying on partner support to make ends meet.²⁶

The National Minimum Wage (\$722.60 per week) is provided by the *Fair Work Act 2009* for employees not covered by an award or agreement. In 2013, the Fair Work Commission decided the salary of a first-year apprentice would be 55 per cent of a fully qualified person if they had completed year 12 (50 per cent otherwise). Annual wage data for apprentices indicates wages in the first two years of training are significantly below the average expenditure on basic goods and services by low economic resource households. For example, an apprentice hairdresser would be covered by the Hair and Beauty Industry Award, with a minimum full-time rate of \$438 a week (61 per cent of the National Minimum Wage). A construction worker would be covered under the Building and Construction General On-site Award wage, with a minimum full-time rate of \$537.91 a week (74 per cent of the National Minimum Wage). The Australian Bureau of Statistics (ABS) found that in 2015-16 average spending by households on basic goods and services was \$846 per week.²⁷ The financial barriers to undertaking an apprenticeship are even greater for young workers and those living in regional and rural communities. Ongoing economic uncertainty resulting over the past few years has impacted the cost of living in Australia and continues to present additional financial strain on apprentices.

The impact of low wages on apprenticeship commencements and completions is compounded when the market presents higher paying alternatives. For example, an apprentice mechanic earns a lower average wage than a casual hospitality worker or labourer. Likewise, mature aged workers looking to make a career change are deterred by low apprentice wages for up to four years and the lack of flexible learning options. Research commissioned by the NSW Board of Vocational Education and Training found that in periods of sharp trade skill shortages, some apprentices were tempted to quit their training for higher wages working as non-qualified tradespersons in booming industries.²⁸

Financial barriers lower commencement and completion rates by making apprenticeships an unappealing financial decision. This may both deter individuals from considering an apprenticeship

²⁴ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)

²⁵ NCVET (2020) *Traditional trade apprenticeships: learnings from the field* www.ncvet.edu.au (accessed 28 July 2021)

²⁶ Wallis (2021) *Apprentice and Employer Support Surveys*, based on a sample size of 500 employers and 500 apprentices

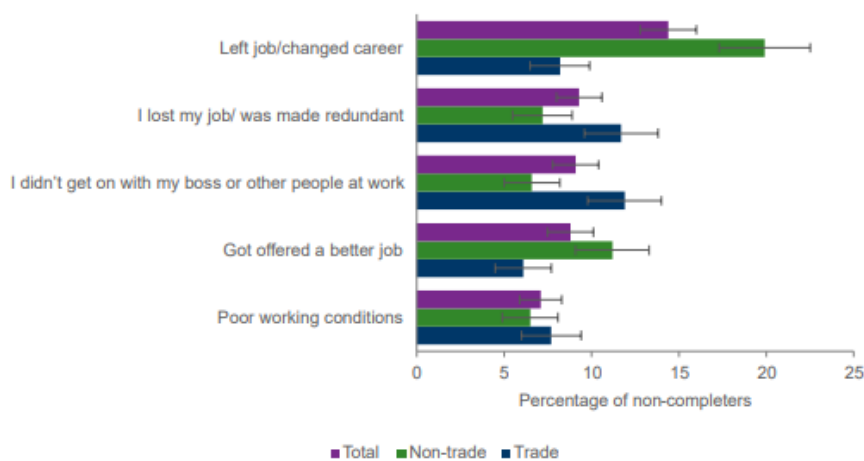
²⁷ Australian Bureau of Statistics (2016) *Household Expenditure Survey Australia: Summary of Results* www.abs.gov.au (accessed 28 July 2021)

²⁸ Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* www.voced.edu.au (accessed 13 July 2021)

and lower the completion rates of those who do begin. These financial barriers are strongest in the early years of an apprenticeship, where wages are at their lowest and apprentices can choose better paying alternatives such as retail or hospitality work.²⁹ This is also supported by findings from a 2020 Review of Senior Secondary Pathways, that found young people to be increasingly moving away from vocational education pathways. While apprenticeships have declined significantly over the past five years, university admissions have increased, and VET is persistently seen as a less prestigious pathway than university.³⁰

For those who do begin an Australian Apprenticeship, many do not complete. Only 56.1 per cent of apprentices commencing in 2016 completed their apprenticeship.³¹ While the main reasons cited for not completing an apprenticeship were leaving the job or changing career, being offered a better job and not getting on with a boss or colleagues were also prominent reasons.³² Figure 3 lists the main reasons for not completing an apprenticeship across all apprenticeships.


Figure 3: Top five reasons for not completing an apprenticeship³³



Barriers for women

The number of women commencing apprenticeships has been steadily increasing over time, particularly since the introduction of the BAC. However, women face a number of barriers to undertaking and successfully completing an apprenticeship, particularly in trade occupations in which there has been traditionally low take up by women compared to men (women in non-traditional trades account for seven per cent of total trade apprentices).³⁴ Workplace culture and bullying, as well as employer misconceptions about women’s capabilities to perform in trades are deterrents for women considering a trade occupation. Further, women may not have considered a non-traditional trade (most trade occupations other than hairdressing) as an attractive career.

²⁹ NCVET (2001) *Reasons for new apprentices’ non-completions*, www.ncver.edu.au (accessed 18 March 2022)
³⁰ Shergold P. (June 2020) *Looking to the Future: Report of the Review of Senior Secondary Pathways into work, further education and training*, Education Council
³¹ NCVET (2021) *Issues in apprenticeships and traineeships – a research synthesis*, www.ncver.edu.au (accessed 27 January 2022)
³² NCVET (2019) *Apprentice and trainee experience and destination*, www.ncver.edu.au (accessed 24 June 2021)
³³ NCVET (2021) *Issues in apprenticeships and traineeships – a research synthesis*, www.ncver.edu.au (accessed 27 January 2022)
³⁴ NCVET (2021) *Australian vocational education and training statistics: apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 21 March 2022)



Increasing visibility of these career options and providing opportunities to experience non-traditional trades, such as those in the construction industry, first-hand may inspire women to consider pursuing careers in these occupations.

Increased wrap-around supports including mentoring and opportunities to trial a trade before committing to an apprenticeship may be successful in encouraging more women to consider an apprenticeship, particularly in a non-traditional trade occupation. Options such as guaranteeing an In-Training Support place to provide targeted services such as mentoring, counselling and mediation or increasing visibility of apprenticeship pathways to school-aged girls by providing opportunities to trial a trade may also lead to increased commencements.

Barriers for youth

Data from the Australian Institute of Health and Welfare's Australia's youth report released in June 2021, shows that compared to older age groups, young people experienced higher rates of psychological distress, job loss and educational disruption due to the COVID-19 pandemic.³⁵ While the economy has begun to recover from the economic impacts of COVID-19, youth unemployment remains high.

Young apprentices may withdraw from their apprenticeship before completion for several reasons. These include poor working conditions, mental health issues, inadequate training, high travel costs and low pay. Wallis research, commissioned by the Department, shows that apprentices who received sufficient support felt more likely to complete their apprenticeship. Apprentices also identified a need for greater support for mental health and problems with their employers. More than a quarter of apprentices felt they would not receive sufficient support for mental wellbeing should they need it. Many apprentices also referred to problems relating to their boss.

The NSC has found that youth are particularly vulnerable during large economic and labour market shocks due to having fewer skills and less experience than older counterparts. While the economy is recovering from the economic impacts of COVID-19, youth unemployment remains high. The latest Australian Bureau of Statistics data from February 2022 shows the youth unemployment rate is more than double that of the overall population, at 9.3 per cent compared to 4.0 per cent.³⁶

Ensuring reforms to the apprenticeship system work to encourage young Australians to consider an apprenticeship as a possible career pathway is a priority. Increased apprenticeship commencements and completions for this cohort will contribute to addressing skills shortages in Australia while also supporting young Australians into successful careers.

2.3 The objective of Australian Government incentives

The Australian Government's objective is to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness. Ensuring the apprenticeship incentives system is fit for purpose will contribute to achieving this goal. Reforms to the apprenticeship incentives system seek to address this objective by:

³⁵ Australian Institute of Health and Welfare (2021) *Australia's youth.*, AIHW, Australian Government (accessed 14 January 2022)

³⁶ Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)

- Creating genuine opportunities for skills-based training and development of employees; and
- Encouraging people to enter skills-based training in priority occupations through an Australian Apprenticeship.³⁷

Employer incentives and financial support provided to apprentices have long been used as mechanisms to encourage greater participation in Australian Apprenticeships. The economic rationale for existing incentives has been to encourage employers to increase the available training places by helping to offset wages and other costs. Targeting these supports to the skills Australia needs will contribute to addressing national skills shortages as well as providing career opportunities for individuals.

2.4 How much should the Australian Government intervene?

There is strong argument for Australian Government intervention in the apprenticeship system, however financial incentives to encourage employers to take on apprentices should be used with caution and should be targeted effectively.³⁸ Financial incentives provided by the Australian Government should be high enough to influence employer and apprentice behaviour, however, should also balance the overall benefit to the employer. While taking on an apprentice may incur high costs, including through supervision and training, employers can generally expect to recoup the costs of an apprentice through the skilled labour they provide as well as the prospect of retaining them after the apprenticeship is completed. This productive work, particularly in the later stages of an apprenticeship, typically compensates for employers' earlier investment into training.³⁹ This overall benefit to the employer should be kept front of mind when considering the amount of financial incentives that should be provided by the Australian Government.

2.5 The current state of Australian Government incentives


Prior to the introduction of COVID-19 economic response measures, commencement and completion rates were continuing to decline. The BAC and CAC have demonstrated that the Australian Government can play a strong role in influencing behaviour and promoting apprenticeships as an attractive pathway for both employers and employees. However, the BAC and CAC are temporary emergency response measures introduced in the face of the pandemic. At a total cost of \$5.8 billion, they are not fiscally sustainable in the long-term. Action is required to ensure Australian Government incentives are fit for purpose, fiscally sustainable, continue to reduce barriers and support commencement and completion rates after these temporary measures cease.

As the economy continues to strengthen and move from recovery into expansion, it is important to address near and long-term workforce challenges that can disrupt business operations, trade and mobility. There are five main challenges to overcome to support reform of the AAIP:

³⁷ Department of Education, Skills and Employment (2021) *Australian Apprenticeships Incentives Program guidelines* www.dese.gov.au (accessed 16 June 2021)

³⁸ Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

³⁹ Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

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1. Incentives should be targeted to address skill shortages in priority occupations to ensure a steady pipeline of skilled workers and minimise the risk of future workforce shortages;
 2. Costs remain high and are increasing, for both the employer and the apprentice;
 3. Incentives do not adequately target the decision maker. Recent research shows the apprentice makes most decisions throughout the apprenticeship, yet most incentives target the employer;
 4. The complexity of the incentives system is hard for employers and apprentices to navigate and understand; and
 5. Non-financial support is needed, such as job matching and mentoring, with evidence highlighting the positive impact non-financial support can have on apprenticeship completion rates.

1. Incentives should be targeted to address skill shortages

There is significant capacity in the domestic Australian labour market for people to upskill. As of October 2021, 707,000 people are unemployed (similar to pre-COVID-19 numbers) and a further 1.3 million people are underemployed. There are also barriers in the market which can prevent jobseekers finding jobs, including skills and geographical mismatches.

The NSC highlights longer-term challenges, forecasting that over the next five years employment is projected to grow by around one million jobs with more than nine in 10 new jobs created projected to need a post-school qualification.⁴⁰ With 38 per cent of skills shortages in occupations with a vocational pathway, Australian Government investment in apprenticeship incentives must encourage individuals to take up opportunities in the jobs Australia needs.

The Australian Apprenticeships Priority List (Priority List) has been developed to better identify areas of skill shortages with a clear apprenticeship pathway, including emerging skill shortages in health care due to COVID-19. Going forward, the Priority List will consolidate and replace the current National Skills Needs List (NSNL), the Priority Occupations list and the AISS payment list. The Priority List will help facilitate access to high quality and relevant training to meet the requirements of the jobs that emerge through the next decade and beyond to support the further growth and prosperity of Australia.

The Priority List comprises 77 Technician and Trade Worker and Community and Personal Service Worker occupations identified as in shortage by the NSC. These occupations represent approximately 60 per cent of apprentices in-training.⁴¹ The NSC publishes the Skills Priority List (SPL) annually to inform broader sector reforms including training funding, skilled migration and apprenticeship incentives. The SPL provides a current labour market rating and a future demand rating for occupations nationally, with current labour market ratings also available at a state and territory level. According to this list, over 150 occupations face current skills shortages nationally and nearly 40 per cent of technical and trade occupations are listed as being in skills shortage.

The Priority List is based on the SPL and includes all occupations that meet the following criteria:

⁴⁰ National Skills Commission (9 December 2021) *The State of Australia's Skills* (accessed 20 January 2022)

⁴¹ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 24 January 2022)

- Assessed by the NSC as being in shortage; and
- Classified by the Australian Bureau of Statistics Australian and New Zealand Standard Classification of Occupations (ANZSCO) as either Technicians and Trades Workers (ANZSCO Major Group 3) or Community and Personal Service Workers (ANZSCO Major Group 4).

The Priority List will be updated annually, based on the NSC's annual SPL.

Previously, to be eligible for some incentives offered under the AAIP, the apprenticeship qualification needed to be listed on the NSNL or be a Priority Occupation. The NSNL was introduced in 2007 and identified occupations that were deemed to be in national skill shortage. However, it was not representative of skill shortages in occupations for which an apprenticeship is an entry pathway to the occupation. The infrequency in which the NSNL was updated (the last update was in 2011) and the criteria that defined the scope of the NSNL had an impact on this. This issue also contributed to Australian Government incentives being provided to occupations not in skills shortage.

What is a priority and non-priority occupation?

The Priority List, based on the work of the NSC as described in the previous section, sets out occupations that will be incentivised as priority occupations under each of the proposed options. The top five occupations by commencements for the 12 months to June 2021 is shown in Table 3 below.

Table 3: Top five occupations for priority and non-priority occupations by commencements for the 12 months to 30 June 2021⁴²

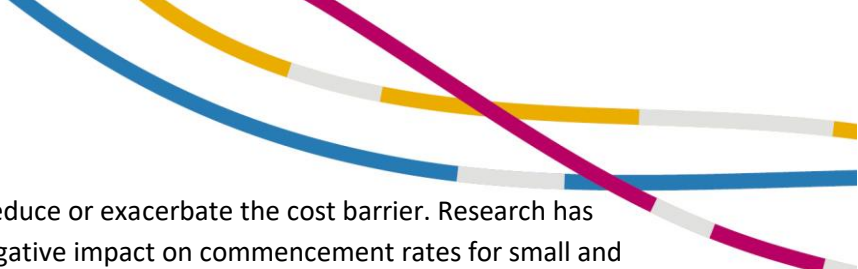
Priority Occupations		Non-priority Occupations	
<i>Occupation</i>	<i>Commencements</i>	<i>Occupation</i>	<i>Commencements</i>
Carpenter	14,084	General Clerk	14,087
Electrician (General)	12,649	Sales Assistant (General)	10,135
Child Care Worker	10,612	Hospitality Workers	10,101
Motor Mechanic (General)	9,970	Office Manager	6,406
Plumber (General)	7,014	Earthmoving Plant Operator (General)	3,835

2. Incentives should respond to high and increasing costs

In 2020, the Productivity Commission undertook a review of the National Skills and Workforce Development Agreement which found that employer incentives now account for less than two per cent of the full costs of hiring and training a trade apprentice.⁴³

⁴² NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 24 January 2022)

⁴³ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)



The timing of when incentives are paid can reduce or exacerbate the cost barrier. Research has found delayed incentive payments have a negative impact on commencement rates for small and medium sized businesses. This was demonstrated when movement of the \$1,500 commencement incentive in July 2012 from three to six months after commencement negatively impacted small and medium business apprenticeship commencements with almost 18 per cent fewer apprenticeship commencements.

Similarly, lower wages remain an obstacle to many individuals considering undertaking an apprenticeship and current Australian Apprenticeship incentives are not sufficient to meet the costs of living. Incentives should be designed to minimise the negative impact of low apprentice wages for apprentices.

3. Incentives should focus on the decision maker

Recent research by the Productivity Commission found that if governments want to increase the overall number of apprentices, policy design should aim to increase both commencements and completions. This is supported by significant research and analysis undertaken over the previous decade indicating incentives are best directed at the party responsible for decision-making.

While employers are critical to the supply of apprenticeship positions, the apprentice is responsible for both the decision to undertake an apprenticeship and then to complete it. 80 per cent of cancellations are initiated by apprentices.⁴⁴

Financial barriers for apprentices are a clear impediment to both commencement and completion rates, with low wages and better paying alternatives making apprenticeships a less appealing pathway. Analysis undertaken by the Department demonstrates making periodic payments directly to apprentices over the life of the apprenticeship supports higher completion rates.⁴⁵ Regular payments over the life of an apprenticeship, as opposed to a lump sum paid on completion or commencement, have been effective in supporting retention and completion rates. For example, apprentices in receipt of regular payments under Trade Support Loans (TSL) or Living Away From Home Allowance (LAFHA) are more likely to complete their apprenticeship. Receipt of LAFHA has been shown to increase the probability of completing by 7.6 per cent for trade apprentices, and 13.7 per cent for non-trade apprenticeships.⁴⁶

As a result, it is critical to provide financial incentives for apprentices to influence behavioural change to achieve an overall shift in apprenticeship outcomes towards higher commencements and completions.


4. Incentives should be easy to navigate and understand

The AAIP and its predecessors have been subject to regular adjustments in response to economic cycles and changes in policy over several years. These changes have resulted in a complex framework. There are over 30 different payments available under the AAIP and eligibility for

⁴⁴ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)

⁴⁵ Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* www.voced.edu.au (accessed 13 July 2021)

⁴⁶ Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* www.voced.edu.au (accessed 13 July 2021)



individual incentives depends on a wide range of factors. The SAT, BAC and CAC have further complicated incentives in an already intricate system.

Reviews by the Productivity Commission and others suggest many of these changes before the COVID-19 economic response measures, have not sustained positive apprenticeship outcomes. Furthermore, many of the trade occupations that feature on the skills shortage lists have been experiencing skills shortages for decades despite incentive payments. The cumulative effect of these changes over time has been to complicate the incentives framework for both employers and apprentices. Industry groups, employers and apprentices have repeatedly raised concerns that the existing AAIP is overly complex, difficult to navigate and this complexity can act as a deterrent to applying for assistance. For example, the previous and concurrent qualifications criteria are overly complex and delay the sign-up of apprentices. Following his review of Australia's VET system, including industry consultation, the Honourable Steven Joyce recommended '*A simpler, more streamlined apprentice incentives program would provide better and more easily understood support to employers and their apprentices and trainees.*'⁴⁷

5. Non-financial support should be provided

Non-financial support for employers and apprentices both in the lead up to commencement and during the apprenticeship can be critical to achieving successful completions. Research shows that both apprentices and employers value non-financial support, including mentoring, mediation, job-matching the apprentice to the employer and assisting the employer to find the right person for the job.

The Australian Apprenticeship Support Network (AASN) providers are contracted to provide a range of universal services to support apprentices throughout their apprenticeships, from sign-up to completion. In order to determine which apprentices need more intensive support, AASNs are required to assess which apprentices are at risk of not completing and in need of further or ongoing support. Departmental data as at 28 February 2022 shows Australian Apprentices that received ITS services delivered by the AASN were:

- 8.7 per cent more likely to complete their apprenticeship;
- 10.7 per cent less likely to cancel or withdraw;
- 9.8 per cent more likely to be retained; and
- 42.3 per cent more likely to resume from suspension.⁴⁸

The Productivity Commission supports these results finding that apprenticeship support services such as mentoring and pastoral care can help apprentices overcome some of the challenges they may face in the workplace with evidence suggesting that these services are generally effective at increasing completion rates. Continuing to provide ITS places will ensure AASN providers can continue to support apprentices through to completion.

⁴⁷ Joyce, S. (2019) *Strengthening Skills: An expert review of Australia's vocational education and training system*, Commonwealth of Australia

⁴⁸ Program data as at 28 February 2022.

Chapter Three: Need for Australian Government action

A highly skilled labour force is fundamental to Australia's future. Australian Apprenticeships are essential in providing workers with the skills and qualifications to deliver the goods and services that underpin Australia's economy. Addressing the barriers to uptake and completion of apprenticeships is an important role for the Australian Government. Australian Government reform of the apprenticeship incentives system needs to target investment effectively to address the barriers faced by employers and apprentices. The system also needs to be financially sustainable to provide ongoing support. Broader reforms to the training system through the National Skills Agreement (NSA) are also key, noting apprenticeships are the only area of the Vocational Education and Training (VET) system where employers determine the number of people in training.⁴⁹

The economic rationale for incentives in the apprenticeships sector is to offset the high costs to employers to increase the number of training places offered in priority occupations. Additionally, incentives paid to apprentices seek to address low wages, costs associated with training and to make apprenticeships more financially appealing compared to competing industries. Research shows employer wage subsidies and apprentice payments can influence behaviour and have a positive effect on commencement and completion rates.⁵⁰ Given this, offsetting costs to employers and providing financial incentives for apprentices are good policy options that will upskill the Australian workforce and fill jobs in the occupations Australia needs.

The Australian Government shares responsibility for the VET system in Australia with state and territory governments. Recent measures, such as the Supporting Apprentices and Trainees (SAT), Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) fundamentally transformed the apprenticeship system and demonstrated the positive impact Australian Government incentives can have on Australian Apprenticeship outcomes. A new approach to the apprenticeship incentives system will build on this success in the longer-term. This will contribute to meeting broader Australian Government objectives to reduce regulation and boost the scale and flexibility of the skilled domestic workforce.


3.1 The Incentives for Australian Apprenticeships will help but more can be done

The Incentives for Australian Apprenticeships (IAA) program was announced in the 2019-20 Budget to simplify and streamline Australian Apprenticeship incentives when compared with the current Australian Apprenticeships Incentives Program (AAIP) specifically reducing the number of incentives from over 30 to 15. However, the IAA only effectively addressed some, not all, barriers to employers and apprentices. Since the IAA was announced, multiple incentives and subsidies have been introduced that provide more insight into what works and will be effective in the long-term.

Further, since the announcement of the IAA, several reviews and research findings on the Australian Apprenticeships system have been released including:

⁴⁹ Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)

⁵⁰ Deloitte Access Economics (2012) *Econometric Analysis of the Australian Apprenticeships Incentives Program* (accessed 16 March 2022)

- 
- Review of Senior Secondary Pathways led by Professor Peter Shergold AC (June 2020); and
 - Productivity Commission review of the National Agreement for Skills and Workforce Development (NASWD) (December 2020).

Based on the lessons learnt, changes in the economy from the COVID-19 pandemic and new evidence from reviews of the system, it is clear the IAA will no longer be fit for purpose and is not the best option to increase uptake and completion of apprenticeships.

3.2 Economic conditions

The Reserve Bank of Australia (RBA) forecasts a strong economic recovery as Australia rebounds from the economic effects of COVID-19. Notably, the unemployment rate is forecast to decline to 3 and $\frac{3}{4}$ per cent by the end of 2023, which is lower than pre-pandemic unemployment rates.

This will have major implications for the apprenticeships ecosystem, as low unemployment rates are likely to increase workforce demand and decrease supply. These changes may exacerbate existing skills shortages, particularly in lower paid positions like apprenticeships. Shortages in supply are also likely to significantly increase competition for labour in the short term. Without Australian Government action, this will have adverse effects on commencement and completion rates as potential apprentices take up more attractive employment opportunities.

Australian Government intervention is needed to ensure Australian Apprenticeships are an attractive career path for prospective apprentices in order to limit supply issues. Additionally, employers need greater certainty and support to continue offering apprenticeship positions in areas that will address skill shortages throughout Australia.

3.3 What happens if we do nothing?

Without further reform, it is reasonable to predict that barriers to participating in and completing an Australian Apprenticeship will persist. This will have a negative impact on the availability of skilled labour and hinder Australia's economic recovery. The significant gains from the investment made by the Australian Government through the successful SAT, BAC and CAC measures during the COVID-19 pandemic will be lost if the effort is not made now.

With no policy changes, annual commencements of Australian Apprentices are expected to significantly decline below pre-COVID-19 levels. This potential decline risks undermining the legitimacy of Australian Apprenticeships as a viable, long-term employment pathway. It is critical the Australian Government's investment is maximised, by ensuring recent commencements translate into completions and new hiring continues to be stimulated, focusing on the skills we need now and into the future.

Chapter Four: Policy Options

Incentive programs are designed to improve the attractiveness of apprenticeships, particularly for employers, to address skills shortages in many occupations that depend on apprenticeships as the main pathway to training and support the development of a highly skilled Australian workforce. Removing incentives is therefore not being considered as an option as it would have an adverse impact on Australia's pipeline of skilled workers and employers in key industries.

Numerous policy options have been explored to address the issues with the current incentives system. The key policy parameters considered are that:

- Incentives should be targeted to address skill shortages;
- Incentives should lower the costs to employers;
- Incentives should focus on the decision maker;
- Incentives should be simpler to navigate and understand; and
- Employers and apprentices should have access to more non-financial support.

Learnings from apprenticeships COVID-19 economic response measures such as the Boosting Apprenticeship Commencements (BAC), Supporting Apprentice and Trainees (SAT) and Completing Apprenticeship Commencements (CAC) measures, have also been taken into account.

Table 4 briefly outlines the three options explored in this RIS. These include:

- An option to make no further reform which will result in the Incentives for Australian Apprenticeships (IAA) program coming into effect from 1 July 2022;
- A targeted option that refocuses the existing program to invest in priority occupations only from 1 July 2022; and
- A phased option with higher support until 1 July 2024, following by a reduction in support that stabilises at 2019 levels.

Cost and the role of government intervention

A further consideration in the design of the policy options is the total cost of the intervention, with a need to ensure fiscal sustainability in the longer term. As a result of this consideration, the Department is not proposing the introduction of a long term wage subsidy package – covering both priority (for example carpenters, electricians and childcare workers) and non-priority occupations (for example office managers, general clerks and sales assistants).

The BAC, a broad policy measure open to all employers of apprentices and trainees, both trade and non-trade, was introduced as a key COVID-19 pandemic response measure. It was designed to address the steep decline in Australian Apprenticeship commencements in mid-2020 (around 20 per cent). This measure was further supported by the introduction of the CAC in 2021 which focused on providing ongoing support to apprentices and trainees engaged through the BAC and stabilising the broader Australian Apprenticeships system.

The BAC was never intended to become a permanent feature of the system; it was delivered as a short-term boost to support employers as the economy recovered.

The BAC wage subsidy lifted the total number of apprentices and trainees in-training, increasing from 264,585 in September 2020 (National Centre for Vocational Education Research (NCVER)) to 360,000 in September 2021 (Departmental program data). As at 10 March, 71,600 businesses have been supported by the BAC.

The BAC and CAC however are high cost, with around \$5.8 billion provided over the forwards.

This style of measure would not be fiscally sustainable as it would build a long-term employer dependence on Australian Government intervention and significant financial support to take on an apprentice. Given that the benefits from apprenticeships are shared with employers and industry more widely, governments should not be expected to cover a substantial portion of the costs involved with the apprenticeship.⁵¹ Employers reap the benefits from the skilled labour the apprentice provides, and as such should expect to pay most of the apprentice’s wages and costs. Accordingly, the introduction of a new incentives model to stimulate commencements and completions by providing a high value wage subsidy for all occupations irrespective of the needs of industry and the economy similar to the BAC and CAC is not proposed.

Systems are not designed to be set and forget. They require regular monitoring, review and evaluation to enable them to shift to the changing needs of the economy. Continuing to direct significant investment towards non-priority occupations without any review or tapering would divert valuable resource from areas of skills need. Effectively this model would see the government supplementing the wages for positions that businesses would traditionally have filled themselves without the need for government intervention.

A package of this nature would result in a significant increase in Australian Government ongoing spending in apprenticeships. As such, the introduction of a long-term high cost wage subsidy has not been included in this RIS.

Table 4: Policy options under consideration

Option	Elements
Option 1	<p>Make no further reform. The Incentives for Australian Apprentices (IAA) program will come into effect on 1 July 2022</p> <p>Main features:</p> <ul style="list-style-type: none"> • New Incentive Structure (available at Attachment B) • Payments to employers, primarily on commencement and completion of an apprenticeship <p>Administrative Elements:</p> <ul style="list-style-type: none"> • Simplify eligibility criteria to remove previous and concurrent qualification restrictions

⁵¹ Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

Option	Elements
	<ul style="list-style-type: none"> • Keep Living Away From Home Allowance (LAFHA) payment • Keep In-Training Support (ITS) places for apprentices and employers
Option 2	<p>Australian Apprenticeship Incentives Program that provides support for priority occupations</p> <p>Main features:</p> <ul style="list-style-type: none"> • Employer hiring incentive <u>for priority occupations only</u> • Introduction of the Priority List <p>Apprentice Package:</p> <ul style="list-style-type: none"> • New Australian Apprentice Training Support Payment (Support Payment) <u>for priority occupations only</u> • Expanded access to Trade Support Loans (TSL) <u>for priority occupations only</u> <p>Youth Support:</p> <p>Targeted youth support for eligible Australian apprentices aged 15 to 20 to provide:</p> <ul style="list-style-type: none"> • Dedicated In-Training Support (ITS) places for young Australian Apprentices, to provide wrap-around support for these apprentices to encourage greater retention • Follow-up phone calls to young apprentices at three months <p>Administrative Elements:</p> <ul style="list-style-type: none"> • Simplify eligibility criteria to remove previous and concurrent qualification restrictions • Cease the Additional Identified Skills Shortage (AISS) payment and formally close the Australian Apprenticeship Wage Subsidy (AAWS) program • Keep the Living Away From Home Allowance (LAFHA) • Keep In-Training Support (ITS) places for apprentices • Keep the Disability Australian Apprentice Wage Subsidy (DAAWS)
Option 3	<p>A reformed Australian Apprenticeships Incentive System over two separate phases, provides support to both priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment only to priority occupations from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program.</p> <p>Main features:</p> <ul style="list-style-type: none"> • Two phases of support, from 1 July 2022 to 30 June 2024 and from 1 July 2024 onwards

Option	Elements
	<p>Phase one:</p> <p>Employer Package:</p> <ul style="list-style-type: none"> • Employer wage subsidy for <u>priority occupations only</u> • Employer hiring incentive for <u>non-priority occupations</u> <p>Apprentice Package:</p> <ul style="list-style-type: none"> • (as per option 2 with a higher payment amount) <p>Youth Support:</p> <ul style="list-style-type: none"> • (as per option 2) <p>Administrative Elements: (as per option 2)</p> <p>Phase two:</p> <p>Main features:</p> <ul style="list-style-type: none"> • Phase 2 is identical to Option 2 and provides a measured step-down of support to 2019 levels. • A priority hiring incentive to replace the employer wage subsidy; and • A reduction of financial support for priority apprentices. • No support is provided for non-priority apprentices, incentivising a take up of in-demand skills.

4.1 Option 1: Introduce the Incentives for Australian Apprenticeships (no further reform)

Features of this option

The IAA would include a simplified payment structure with reduced payment types and streamlined eligibility requirements to make it easier for employers to understand and claim incentives. The IAA includes payments to employers, primarily on commencement and completion of an apprenticeship, and additional payments for key cohorts such as apprentices with a disability or priority occupations. This option would come into effect on 1 July 2022.

Simplified payment structure

The IAA would have a simplified payment structure comprising 15 payment types (reduced from over 30 under the Australian Apprenticeships Incentives Program (AAIP)) with streamlined eligibility requirements, making it easier for eligible employers to understand and claim incentives.

For the employer

Standard incentives

The IAA maintains pre-COVID-19 incentive levels for most employers. These are:

- Payment upon commencement of the apprenticeship: \$1,500
- Payment upon completion of the apprenticeship: \$2,500

For employers of apprentices with a disability, the current wage subsidy would also continue at \$104.30 per week.

Targeted incentives

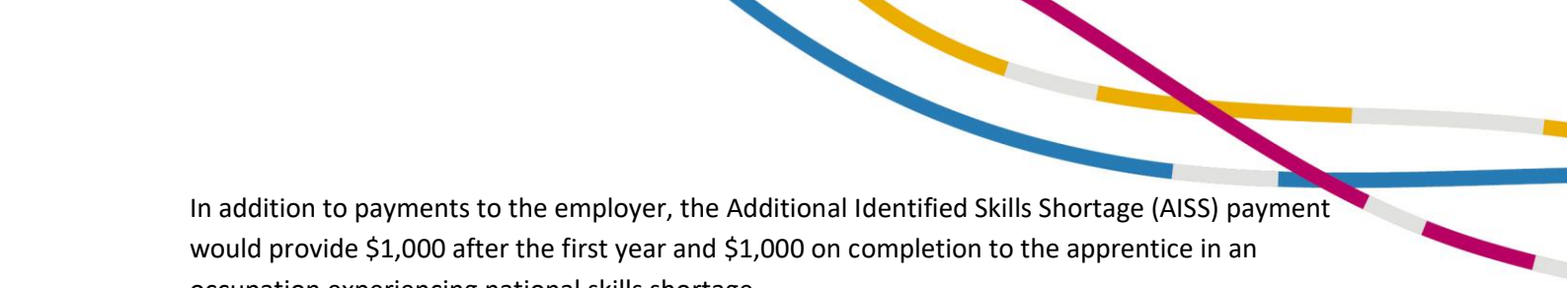
In addition to the standard incentives available, eligible employers would be able to access additional incentives if they hire an apprentice from target groups related to age, work location, level of education and existing worker status. These targeted incentives would provide \$750 on commencement and between \$750-\$1,500 upon completion. Incentives would be available to all employers, regardless of business size, to minimise complexity and make the system more attractive and easier to understand for employers.

Under the IAA, the Additional Identified Skills Shortage (AISS) payment would continue, providing \$2,000 on commencement and \$2,000 on completion to employers who hire an apprentice in an occupation experiencing national skills shortage.

For the apprentice or trainee

Under the IAA, Living Away From Home Allowance (LAFHA) would continue to provide support to apprentices over three years who relocate to undertake their apprenticeship:

- \$77.17 per week in the first year;
- \$38.59 per week in the second year; and
- \$25.00 per week in the third year.



In addition to payments to the employer, the Additional Identified Skills Shortage (AISS) payment would provide \$1,000 after the first year and \$1,000 on completion to the apprentice in an occupation experiencing national skills shortage.

Implementation of this option

Program guidelines

The implementation of the IAA would be supported by Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.

Grandfathering arrangements

All existing employers and apprentices on the Australian Apprenticeships Incentives Program (AAIP) that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.

AASN provider contracts

Implementing the IAA would require a variation to the Australian Apprenticeship Support Network (AASN) provider contract which commenced 1 February 2020. In addition to delivering the new IAA, AASN providers would continue to deliver the AAIP program, as employers would still be eligible to claim AAIP incentives for an Australian Apprentice who commenced prior to 1 July 2022.

Information technology

The current IT system that underpins Australian Apprenticeships - the Training and Youth Internet Management System (TYIMS) – was set up in 1999 and is at the end of its capability. TYIMS collects all apprenticeships data and supports service provision to employers and apprentices including incentive payments. A new system is under development – the Apprenticeships Data Management System (ADMS). The new incentives framework will be delivered through the new ADMS, however the TYIMS will continue to support existing incentives until the new system is fully operational. ADMS will provide a better user experience, with a strong self-service component for apprentices and employers when lodging claims.

4.2 Option 2: Employer hiring incentive (priority occupations)

Features of this option

This option targets apprenticeships in priority occupations only and would come into effect from 1 July 2022. This sends a clear message to apprentices to take up an apprenticeship in an occupation that will lead to qualifications in a skill in a priority occupation. Specific features of this option include:

Main features:

- Introduction of the Priority List

Employer Package:

- Employer hiring incentive for priority occupations only

Apprentice Package:

- New Australian Apprentice Training Support Payment (Support Payment) for priority occupations only
- Expanded access to TSL for priority occupations only

Youth Support:

- Targeted youth apprenticeship support for eligible Australian apprentices aged 15 to 20 to provide additional In-Training Support (ITS) places for young Australian Apprentices and follow-up phone calls three months after commencement

Administrative Changes:

- Simplify eligibility criteria to remove previous and concurrent qualification restrictions
- Cease the Additional Identified Skills Shortage (AISS) payment and formally close Australian Apprenticeship Wage Subsidy program
- Keep the Living Away From Home Allowance (LAFHA)
- Keep In-Training Support (ITS) places for apprentices
- Keep the Disability Australian Apprenticeship Wage Support (DAAWS)

The Priority List will be used to target investment to occupations in skills shortages. A new Apprenticeships Priority List (the Priority List) will be used to identify occupations with a primary apprenticeship pathway that are in current or projected future demand. The Priority List is based on National Skills Commission (NSC) analysis of the occupations in current shortage and future demand over the next five years. The Priority List will consolidate and supersede other occupation lists that have been used for different Australian Apprenticeship programs in the past including the NSNL, the Priority Occupations List, and the Additional Identified Skills Shortage Payment List. The current Priority List is available at Attachment D. Importantly, the Priority List will be reviewed and updated every year, based on the NSC's updated analysis.

Under this option, the level of support an employer or apprentice receives will depend on whether the occupation in which the apprenticeship is undertaken is on the Priority List at the time the apprentice commences. If the occupation is on the Priority List at the time of commencement, the employer and apprentice will remain eligible for support for the duration of the apprenticeship, regardless of whether the occupation is subsequently removed from the Priority List.

Employer hiring incentive for priority occupations

A hiring incentive would be provided to employers who hire an apprentice in an occupation on the Priority List. These employers would receive \$4,000, which would be paid in instalments of \$1,000 (paid at six months) and \$3,000 paid at 12 months after commencement.

Apprentice Package

Australian Apprentice Training Support Payment (priority occupations)

From 1 July 2022, eligible apprentices commencing a Certificate III level qualification or above on the Priority List, would receive \$750 every six months over two years (a total of \$3,000).

The payment would be a regular taxable Support Payment, indexed annually to changes in the Consumer Price Index (CPI) to support apprentices to remain in training and to meet the cost of work and training in the early years of the apprenticeship. The Support Payment will only be available to newly commencing apprentices in occupations on the Priority List. Apprentices who commenced prior to 1 July 2022 will not be eligible.

The purpose of the payment will be to provide apprentices with a financial incentive to remain in training and complete their apprenticeship, at a time when their wages are low and they may be able to secure a higher wage in an unskilled job.

Expand Trade Support Loans – Australian Apprenticeship Support Loans

The TSL program will be altered to reduce administrative burden and increase support for apprentices in priority occupations, including non-trade Australian Apprentices such as in aged care and childcare. Changes include:

- Align eligibility to offer support for all apprentices on the Priority List, including expansion to non-trade priority occupations;
- Rename the scheme Australian Apprenticeship Support Loans to align with new eligibility for non-trade occupations; and
- AASNs will be allowed greater administrative flexibility to backdate TSL payments to provide immediate support to recipients. This will allow a payment to be backdated to:
 - the date the first application and all future opt ins were made;
 - the date of a missed payment due to an administrative error.

Youth Support

To support young Australians undertaking an apprenticeship in priority occupations, targeted youth apprenticeship support would be introduced for Australian Apprentices aged 15 to 20. This support would include 2,500 additional ITS places for young Australian Apprentices (currently approximately 30,000 places are available each year for all Australian Apprentices) and the introduction of a three month follow up call after commencement to provide an opportunity for apprentices to seek advice or request further support.

Administrative Changes

Simplified Prior and Concurrent Qualifications eligibility criteria

The Prior and Concurrent Qualifications eligibility criteria would be removed to support individuals with previous qualifications to undertake an apprenticeship and encourage lifelong learning. These changes will remove current disincentives for employers to hire experienced candidates with a prior qualification and will also allow experienced apprentices to accelerate their apprenticeship. This will give employers quicker access to qualified workers and facilitate the re-skilling of workers in occupations in high demand.

Ceasing of AISS payment and formal closure of AAWS

The AAWS trial encouraged employers to hire regional and rural apprentices in priority occupations, consistent with the NSNL. Formally closing the AAWS will remove the need for employers to track multiple lists and payments, reducing complexity within the apprenticeship system. Similarly, from 1 July 2022, the AISS payment will be closed to new participants to allow for introduction of a new incentives system.

Implementation of this option

Legislation

New primary legislation is recommended for any new incentives system to improve and simplify administration of the program and protect apprentices through strengthened accountability. Additionally, changes to the TSL will need to be reflected in the TSL Act and Rules.

New legislation will not be in place until after 1 July 2022. In the interim, legislative authority and operation of the new program (excluding TSL) will rest on items in the Financial Framework (Supplementary Powers) Schedule 1AB (FFSP) and robust Program Guidelines, similar to the operation of the current program.

Changes to TSL will be implemented once proposed changes to the enabling legislation are made. TSL is governed by the Trade Support Loans Act 2014 and two legislative instruments: the Trade Support Loans Rules 2014 and Trade Support Loans Priority List 2014. It is anticipated that legislation will be introduced in the Spring 2022 sittings.

Program Guidelines


The implementation of the AAIS would be supported by new Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.

Grandfathering arrangements

All existing employers and apprentices on the current program that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.

AASN provider contracts

Implementing the new incentives model would require a variation to the AASN provider contract which commenced on 1 February 2020.



In addition to delivering the new model, AASN providers would also continue to deliver the current program, as employers claiming incentives for an Australian Apprentice prior to 1 July 2022 would continue to receive payments under the AAIP payment structure for that apprentice.

Information technology

ADMS will continue to be rolled out incrementally as an agile IT project from October 2020 through to 30 June 2024. TYIMS will continue to support existing incentives while ADMS is being developed and program elements are transferred from TYIMS. New incentives and arrangements will be supported on ADMS.

Stakeholder engagement

As part of implementation, consultation with key stakeholders (including the AASN) would be undertaken. Additionally, the Priority List will be carefully communicated to ensure stakeholders understand how the Priority List is updated and where to find current information.

4.3 Option 3: A phased option of the Australian Apprenticeships Incentive System with the flexibility to respond to economic conditions

Under Option 3, the Australian Government would introduce a reformed Australian Apprenticeships Incentive System over two separate phases, to provide support to priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment only to priority occupations only from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program.

The first phase of this option would feature a wage subsidy for employers of apprentices in priority occupations, hiring incentives for employers of apprentices in non-priority occupations, and a direct payment to priority apprentices to help them meet the costs of living while training. This phase would begin on 1 July 2022 and would conclude on 30 June 2024.

From 1 July 2024 the second phase would begin, which would match Option 2. Financial support would stabilise around 2019 levels and will only be available for priority apprentices and their employers to ensure that it is targeting the skills in demand across the economy. The wage subsidy will be replaced with a hiring incentive and the direct payment will be reduced. The hiring incentive for non-priority apprentices will be removed.

Features of this option (phase one)

Phase one between 1 July 2022 and 30 June 2024:

- Wage subsidy for employers in priority occupations;
- Employer hiring incentive for employers of apprentices in non-priority occupations;
- Apprentice payment (same as Option 2, but with a higher payment amount);
- Introduction of the new Priority List (same as per Option 2);
- Youth support (same as per Option 2); and
- Administrative changes (same as per Option 2).

Wage subsidy for the employer of an apprentice in a priority occupation

Under this option an employer of an apprentice in a priority occupation would be paid a wage subsidy as set out below:

- **10 per cent of wages** paid in the first year, up to a maximum of \$1,500 per quarter per apprentice;
- **10 per cent of wages** paid in the second year, up to a maximum of \$1,500 per quarter per apprentice; and
- **5 per cent of wages** paid in the third year, up to a maximum of \$750 per quarter per apprentice.

The maximum an employer could claim over the life of an apprenticeship is \$15,000.



Employer hiring incentive for employers of apprentices in non-priority occupations:

The hiring incentive would provide employers of apprentices in non-priority occupations a \$3,500 incentive payment paid in two instalments. An instalment of \$1,750 would be payable at six and 12 months after hiring an apprentice in a non-priority occupation. These payments would act as encouragement for employers to invest in and support a highly skilled Australian workforce.

After this, the program will progress to phase two with a reduced level of government investment comparable to 2019 levels, equal to Option 2.

Apprentice package

Australian Apprentice Training Support Payment (priority occupations)

The Apprentice Training Support Payment arrangements for Option 3 are the same as Option 2, but with a higher payment amount. From 1 July 2022, eligible apprentices commencing a Certificate III level qualification or above on the Priority List, would receive \$1,250 every six months over two years (a total of \$5,000).

Features of this option (phase two)

Hiring incentives for employers in priority occupations only

During phase two, Australian Government support would only be available for apprentices training in priority occupations listed on the Priority List. This is to maximise Australian Government support towards those training in demand skills, and to incentivise apprentices towards these priority areas. The employer wage subsidy from phase one would be replaced by a hiring incentive of \$4,000 for employers of apprentices training in priority occupations to encourage employers to take on further apprentices.

No support for employers in non-priority occupations

In phase two there would be no incentives for employers of apprentices in a non-priority occupation or for apprentices commencing in non-priority occupations. This sends a clear message to apprentices to take up an apprenticeship in an occupation that will lead to qualifications in a skill in demand.


Apprentice package

Australian Apprentice Training Support Payment (priority occupations)

From 1 July 2024, the Apprentice Training Support Payment arrangements for Option 3 would be the same as Option 2. Eligible apprentices commencing a Certificate III level qualification or above on the Priority List would receive \$750 every six months over two years (a total of \$3,000).

Implementation of this option

As in Option 2, implementation of Option 3 would require new legislation, developing new program guidelines and updated contracts with the AASN. Grandfathering arrangements would also be the same for employers and apprentices already in receipt of incentives and priority occupations will be determined by the Priority List as in Option 2.



Stakeholder management and careful communication will be necessary to ensure AASNs, employers and apprentices are aware of the change in support after 1 July 2024.

The IT requirements will also require a staged approach to accommodate both sets of changes. The rollout of the ADMS will support the AASNs through streamlined IT processes and enable system changes between the two phases to be implemented.

Chapter Five: Net Benefit of the Options

The following section presents an analysis of the potential benefits and costs of the policy options explored in this Regulatory Impact Statement (RIS). Potential regulatory, social and economic impacts are considered for Australian Apprentices, employers, Australian Apprenticeship Support Network (AASN) providers, the Australian Government and the broader community.

5.1 Option 1: Implement the IAA as announced (no further reform)

Key impacts

This option would:

- Simplify incentives available for Australian Apprenticeships by halving the number of payment types and streamlining eligibility requirements;
- Provide regulatory certainty for providers;
- Have minimal additional costs to Australian Government;
- Have minimal impact on declining commencements and completion rates; and
- Have minimal impact on addressing skill shortages.

Who would this option impact?

Those directly impacted by this option include:


- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of the Boosting Apprenticeship Commencements (BAC) program);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who provide advice and support to employers and apprentices including on incentives.

Overall impact – how does it address the problem?

The Incentives for Australian Apprenticeships (IAA) program will only address two out of five options identified in Chapter Two. The IAA will simplify the incentives system for apprentices and employers and continue to provide non-financial support to apprentices. As a result, apprentices and employers will be unequipped to address rising costs, incentives will continue to focus on the employer instead of apprentices and the program will have minimal impact on reducing skill shortages.

Does not address - Incentives should be targeted to address skill shortages

This option is unlikely to prevent commencements from continuing to decline below pre-COVID-19 levels and increasing low completion rates for Australian Apprenticeships as it does not address most of the barriers to establishing a successful apprenticeship system (outlined in Chapter Two).



This option does not direct support to priority occupations and will not assist in building Australia's pipeline of skilled workers, in areas of critical need.

Does not address – Incentives should respond to high and increasing costs

Under the IAA, current incentive levels (pre-COVID) would be maintained for most employers. The Productivity Commission and others highlight how employer incentives under the current program are too modest and have little effect on decision-making by employers of trade apprentices particularly. Employers of apprentices and trainees have benefited from increased levels of support in response to the impact of COVID-19 through the BAC and Completing Apprenticeship Commencements (CAC) measures. While these measures were designed to be short term, the nature of incentives under the IAA does not provide for a gradual reduction in support for these employers and thus the modest nature of IAA incentives is magnified.

Does not address - Incentives should focus on the decision maker

The Productivity Commission recently found to increase the overall stock of apprentices, policy design should aim to increase both commencements and completions.⁵² This is supported by research and analysis undertaken over the previous decade indicating incentives are best directed at the party responsible for decision-making.

While employers are critical to the supply of apprentices, the apprentice is responsible for both the decision to undertake an apprenticeship and then to complete it. Implementing the IAA without providing sufficient support to apprentices would see retention and completion rates return to pre-COVID-19 levels, and potentially decline further.


Failure to increase support for retention would undermine employers' confidence in the apprenticeship system and jeopardise the supply of qualified workers into critical sectors that rely on apprenticeships to enter the workforce, such as technicians and trade workers – which include electricians, carpenters, chefs, fitters and motor mechanics.

Addresses - Incentives should be easy to navigate and understand

The implementation of the IAA as announced would simplify incentives for Australian Apprenticeships, improving access for all stakeholders, reducing over 30 payment types to around 15. This would positively impact all stakeholders by reducing the time required to sift through large volumes of information to determine eligibility for incentives. While this approach responds to some of the concerns from employers and apprentices regarding the complexity of the existing current program, further simplification is needed to ensure complexity in incentives is not a barrier to participation for employers and apprentices.

While the proposed option would decrease the number of incentives available, the IAA does not differ from the current program significantly as it is still made up of a category of incentives paid upon commencement or completion of an apprenticeship. Apprentices would also continue to receive similar assistance under the IAA compared to the current program. As such, the information and necessary documentation that employers and Australian Apprentices are required to provide at

⁵² Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, www.pc.gov.au (accessed 23 June 2021)



sign-up and when claiming a payment would not change. Given these arrangements, employers and apprentices are not expected to experience a material change in their compliance costs.

Addresses - Non-financial support should be provided

The IAA will continue to provide apprentices with non-financial support including retaining the In-Training Support for all apprentices and tutorial, mentoring and interpreter services for apprentices with a disability. This support is important to ensure apprentices are supported through to completion.

Impacts on apprentices

This option does not provide additional support to apprentices. Implementing the IAA without any additional financial support to apprentices would see the retention and completion rates remain stagnant, and potentially decline further. Given completion rates sit at 56.1 per cent (for those commencing in 2016),⁵³ failure to increase support for retention would continue to negatively impact on the return on investment in the apprenticeship system and the supply of qualified workers into the economy.

Impacts on employers

Under the IAA, current incentive levels (those prior to COVID-19 measures) will be maintained for most employers, and employers claiming incentives for an Australian Apprentice prior to 1 July 2022 would continue to receive payments under the current program payment structure.

The IAA will not significantly change the timing of when incentives are paid to employers. Payment of commencement incentives would still occur at six months after commencement and after three months for recommencement. Research has found delayed incentive payments have a negative impact on commencement rates for small and medium sized businesses.

Incentives targeted at particular cohorts would remain. Employers of apprentices and trainees in rural and regional areas will still receive additional support through the Rural and Regional component of the Target Groups incentives. Employers of apprentices aged 21 years or older would still be eligible for the Support for Adult Australian Apprentices incentive. However, cohorts like young Australians would not receive any additional support and would be disadvantaged under this model (relative to the other options).

Removing the difference in eligibility between full-time and part-time workers would encourage employers to offer more flexible working arrangements. This will give employers more flexibility to match apprentices with their business needs and is likely to particularly benefit women or older workers who want to do an apprenticeship or traineeship but are not able to work full-time.

Changing the Australian School-based Apprenticeship (ASbA) retention incentive to a completion incentive would encourage employers to retain apprentices beyond the 12 weeks required to claim this incentive. This may result in improved employment outcomes for the apprentice. This change simplifies the incentives payment structure by removing the last remaining retention incentive.

⁵³ NCVER (2021) *Issues in apprenticeships and traineeships – a research synthesis*, www.ncver.edu.au (accessed 27 January 2022).

Impacts on AASNs

AASN providers are engaged under a fee-for service arrangement with the Australian Government, which are excluded under the Regulatory Burden Measurement Framework. However, AASN providers would have a period of additional burden as they become familiar with the new incentive structure. Following this change period, AASN providers should find the delivery of their services to employers and apprentices less time consuming due to the reduced number of payment types and eligibility requirements to navigate and advise on. However, whilst the transition to a modern apprenticeship technology platform occurs, there would be additional administrative burden on the AASN providers as manual workarounds are required and grandfathering arrangements are in place.

Impact on commencements and completions

Implementing the IAA is expected to result in annual Australian Apprentice commencements returning to pre-COVID-19 levels of around 151,000 from 1 July 2022. There is not expected to be any material impact on the proportion of Australian Apprentices who complete their apprenticeship.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level, with no reduction in the expected number of Australian Apprentices with a disability.

The number of Australian Apprentice commencements who identify with specific cohorts, such as women in non-traditional trade and Indigenous Australians, is expected to return to an average level from pre-COVID-19.

Regulatory costs

The regulatory cost of Option 1 is neutral. The introduction of the IAA has already been agreed and will come into effect if no action is taken. Therefore, implementing the IAA is the baseline option.

Table 5: Regulatory costs of Option 1 (baseline)

Average annual regulatory costs (baseline option)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	N/A	N/A	N/A	N/A

5.2 Option 2: New incentives program that targets priority skills – Employer hiring incentive for priority occupations

Key impacts

This option would:

- Modernise program settings to respond to emerging economic conditions;
- Reduce regulatory burden;
- Provide additional financial support to all apprentices in priority occupations;
- Retain non-financial support to apprentices at risk of cancellation;
- Increase financial support for apprentices in priority occupations;
- Support for employers in both priority and non-priority occupations;
- Incentivise apprentices to take up in-demand skills occupations; and
- Increase support for young Australians.

Who would this option impact?

Those directly impacted by this option include:

- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of BAC);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who provide advice and support to employers and apprentices including on incentives.


Overall impact – how does it address the problem?

The overall impact of this option would be a decline of around 24,500 in total Australian Apprenticeship commencements and a related decline in completions from pre-COVID-19 levels.

This option addresses three out of five policy issues identified in Chapter Two. This option addresses the financial barriers for employers and apprentices in priority occupations undertaking an apprenticeship. Targeting incentives towards priority skills areas and key industries reduces expenditure and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into a future skilled workforce.

Addresses - Incentives should be targeted to address skill shortages

Australia is experiencing major workforce skills shortages which apprentices can fill. There are significant skills shortages across Australia in a number of key industries and occupations, with 38 per cent of skills shortages in occupations with a vocational pathway, including construction, manufacturing and aged care. Promoting apprenticeships in priority occupations as a rewarding pathway is important to encourage individuals to take-up opportunities in the jobs Australia needs to secure the skilled workforce of today and tomorrow.



This option targets incentives towards priority skills areas and key industries. In turn, this reduces expenditure and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into a future skilled workforce.

The Priority List ensures incentives provide support to priority skills occupations, including anticipated areas of skills needs. Through targeting, this package is expected to lead to a slight increase in commencements and completions in priority occupations. It is also expected to lead to an increase in the supply of apprenticeship opportunities in key industries.

Does not address – Incentives should respond to high and increasing costs

This option will provide greater financial support to apprentices in priority occupations and recognises the limitations of current apprentice wage structures. The Australian Apprenticeship Training Support Payment will increase the attractiveness of an apprenticeship in areas of critical skills shortage. It will also benefit their employers, as this approach mimics a wage increase without putting the burden on the employer to cover the costs.

However, under this option, employers of apprentices in non-priority occupations will go from attracting on average around \$3,500 in employer incentive payments under the pre-COVID-19 AAIP to no longer attracting any government support. This will result in a decrease in non-priority commencements and completions as employers opt for a different employment model, including for example more casual and part time employees.

Even for employers in priority occupations, the \$4,000 hiring incentive for employers of apprentices in a priority occupation could be a step down for employers who may have been able to access additional incentive payments if the apprentice met other eligibility criteria under the AAIP. Overall, this option does not address high costs associated with rising wages and up-front hiring costs.

Partly addresses - Incentives should focus on the decision maker

The Apprentice Support Payment and Trade Support Loans (TSL) help address the costs for apprentices in priority occupations. Mitigating these initial upfront costs, such as a loan to buy necessary tools or equipment, is expected to help attract and retain apprentices in areas with skill shortages.

Addresses - Incentives should be easy to navigate and understand

This option will simplify the payment structure of the incentives system to improve access for all stakeholders by reducing over 30 payment types to around five.

This option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts and AASN providers would continue to be contracted by the Australian Government to deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.

Several administrative changes will also help stakeholders navigate the system. The recognition of previous and concurrent qualification criteria and their application are regarded by stakeholders as complex and slowing the sign-up of Australian Apprentices. Simplifying the criteria for recognising prior and concurrent qualifications is expected to reduce regulatory burden for potential Australian Apprentices and employers during the sign-up process at commencement.

Addresses - Non-financial support should be provided

Almost half of Australian Apprentices never complete their apprenticeship – further diminishing the return on investment in the Australian Apprenticeship system. Program data shows Australian Apprentices who received ITS, as opposed to those who did not, were 8.7 per cent more likely to complete; 10.7 per cent less likely to cancel or withdraw from their apprenticeship; 9.8 per cent more likely to be retained by their employer; and 42.3 per cent more likely to resume from suspension as at 28 February 2022.⁵⁴

Under this option, AASN providers will continue to provide apprentices and employers with a range of non-financial supports, from general universal support services from sign up to completion through to more intensive ITS, which offers personalised support to those at risk of not completing. Additionally, young apprentices will receive additional support through the youth support – including dedicated ITS places and additional support from their AASN provider.

Impacts on apprentices

The estimated impact on commencements and completions due to the changed incentives under this option, including specific cohorts such as women, are detailed in the *Impact on Commencements and Completions* section.

Priority occupations

Apprentices in priority occupations will receive the same non-financial support as Option 1 through the apprentice package youth support (See 5.1).

Under this option, apprentices in priority occupations will receive a \$4,000 Support Payment which will support apprentices to complete their apprenticeships. However, this is less financial support than under Option 1.

Non-priority occupations

Under this option, apprentices in non-priority occupations will not receive any targeted support, which may deter them from taking up or continuing an apprenticeship in a non-priority occupation. This seeks to encourage individuals to take up an apprenticeship in an area of skills need.

Women


Option 2 is expected to impact the number of commencements for women, as currently women tend to be employed in non-priority apprenticeships and traineeships such as retail and hospitality.

By targeting incentives to priority occupations, this option is expected to encourage more women to consider careers in growing sectors, particularly those with high skills shortages, which ultimately tend to be higher paying. Accordingly, it is expected that some of the impact of this option on the commencement numbers for women will be offset by women more often choosing priority occupations. No modelling is available to quantify this ‘switching’ impact.

Apprentices with disability

Using the National Skills Commission’s (NSC) current Skills Priority List (SPL) and National Centre for

⁵⁴ Internal Department data, unpublished



Vocational Education Research (NCVER) in-training data, 5,100 apprentices with a disability would be eligible for the current Priority List.⁵⁵

Younger Australians (under 20)

Youth Support targets young Australians, aged 20 or under, in priority occupations. Data from the Australian Institute of Health and Welfare's Australia's Youth report released in June 2021, shows that compared to older age groups, young people experienced higher rates of psychological distress, job loss and educational disruption due to the COVID-19 pandemic. While the economy has begun to recover from the impacts of COVID-19, youth unemployment remains high. The latest Australian Bureau of Statistics (ABS) data from February 2022 shows the youth unemployment rate is double that of the overall population, at 9.3 per cent compared to 4.0 per cent.⁵⁶ Extended periods of unemployment and disengagement from the labour market can have lasting effects that negatively impact individuals and the economy more broadly. It can lead to skill losses and reduce the lifetime earnings potential of individuals. It can also force young people into unstable work at a lower pay.

Increasing the supports available to young people will ensure the apprenticeship system is well placed to service and support young Australian apprentices. This support will help young apprentices overcome challenges associated with entering the workforce and help them to remain attached to the labour market.

Regional and rural Australians

Low apprenticeship wages and rising basic living costs have an even greater effect for those living in regional and rural communities. Regional apprentices in priority occupations will benefit from increased access to financial support over the life of their apprenticeship. Regional apprentices in priority and non-priority occupations will continue to benefit through the provision of a Support Payment and ability to access the Living Away From Home Allowance (LAFHA). Retaining the LAFHA will ensure regional and rural Australians are supported to meet the costs associated with moving away from home.

Regional apprentices undertaking an apprenticeship will also benefit from changes to TSL which will increase the attractiveness of an apprenticeship in areas of critical skills shortage. Rural and regional eligibility for TSL will also be aligned with the current program to ensure apprentices receive adequate support to carry them through to completion.

This option's targeting to skills in demand is designed to encourage regional apprentices to train in priority occupations in the future. Using the NSC's current SPL and NCVER in-training data, 74,678 apprentices in regional and rural Australia are in occupations on the current Priority List.⁵⁷

⁵⁵ NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, www.ncver.edu.au (accessed 1 November 2021)

⁵⁶ Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)

⁵⁷ NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, www.ncver.edu.au (accessed 1 November 2021)



Impacts on employers

Priority occupations

Wage costs and other expenses associated with running a business have grown substantially over the past two decades, however the total standard incentives available to an eligible employer of an Australian Apprentice have remained unchanged at \$4,000 since 1998.

The BAC measure has demonstrated the market is responsive to effective policy changes. The \$4,000 hiring incentive available to employers in priority occupations is comparable with the current standard incentive amount available under the AAIP.

Employers of apprentices in non-priority occupations will no longer receive government support

Employers of apprentices in non-priority occupations will receive no financial support. This is due to the Government returning to a fiscally sustainable setting that targets government support to the skills most in demand with a clear apprenticeship pathway.

Small and medium businesses

Employers identify the cost of hiring an apprentice or trainee, particularly the initial upfront costs, as a key barrier to engaging employees on an apprenticeship pathway. This includes the initial cost of recruitment, ongoing costs of wages, supervising and training an apprentice and the real or perceived lack of productivity in the early years of an apprenticeship when supervision costs are high and productivity is low. These imposts are greater for small businesses who have to be more rigid with their business models and costs.

The hiring incentive, which provides greater financial support in the first years of an apprenticeship, is expected to support some small sized businesses in priority areas to take on and retain apprentices. Small employers, compared to medium and large employers, are more highly represented in priority occupations than non-priority occupations.

Impact on commencements and completions


Implementing Option Two is expected to result in an increase in annual Australian Apprentice commencements in priority occupations of around 5,500 compared to pre-COVID-19 levels.

Due to the lack of support for Australian Apprentices in non-priority occupations, research indicates that there may be a reduction of around 30,500 in annual non-priority Australian Apprenticeship commencements.

This option is expected to increase the proportion of Australian Apprentices who complete their priority apprenticeship by 4.2 per cent.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level with no reduction in number of Australian Apprentices with a disability expected.

With no targeted support for specific cohorts, Australian Apprentice commencements who identify with specific cohorts are expected to make up a similar proportion of commencements to the pre-COVID-19 average. However, this assessment does not take into account the expected change in occupation preferences that the new incentives model is intended to encourage and as a result should be treated with caution.



Due to a higher proportion of women represented in non-priority occupations, a reduction of female traineeships of around 14,000 per annum is expected. However, the inclusion of major caring professional occupations on the new skills list and expansion of the TSL program to include traineeships in the care sector is expected to primarily benefit female apprentices and trainees.

Indigenous Australians have historically been over-represented in non-priority traineeships. Under Option Two around 2,000 (-27 per cent) fewer annual commencements from Indigenous Australians are estimated, with expected annual commencement of 8,500. However, this figure assumes no change in the occupations that Indigenous Australians choose to study in. It is expected that the new incentives scheme – particularly the Support Payment – will influence occupation choice and direct more Indigenous Australians to priority occupations, with strong employment and wage prospects.

A reduction in estimated apprentice and trainee commencements does not necessarily equate to a reduction in jobs. For non-priority occupations – where an apprenticeship may not be a primary pathway – a reduction in apprentice commencements is likely to be due to employers engaging workers directly and not through the training system. This is not a loss of jobs for the non-priority sectors; it is a change in the terms and conditions under which an individual is employed.

Regulatory impact

The proposed option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts and AASN providers would continue to be contracted by the Australian Government to deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.

Regulatory costs

Regulatory costs associated with Option 2 are provided in Table 6 and are based on the Regulatory Burden Measurement Framework, program data and expected changes in commencements and claim requirements

The regulatory costs associated with Option 2 are administrative costs with claiming for incentives under the option and establishing an apprenticeship. The regulatory impact and cost of this option is due to the changed number of individuals and employers accessing the apprenticeship system, change in time and effort to claim, and a transitional cost for employers to familiarise themselves with the new system.

Employer time cost is assumed to be \$73.05 an hour, while an apprentice is assumed to be \$32.00 per hour.

Under Option 2, it is expected that around 77,500 apprentices will attract an employer and apprentice incentive. For employers, claims are expected to be simpler than the current system (10 minutes of effort saved) while this would be a new claim for apprentices and therefore require an additional 40 minutes of effort. Around 47,500 apprentices are estimated to no longer attract an incentive for their employer (non-priority occupations) which would reduce effort cost by 20 minutes for each employer.

Administrative cost savings are expected for employers of around 30,500 individuals who no longer engage their non-priority employee as an apprentice or trainee. It is expected this would reduce time effort by 120 minutes per individual.

Based on program data it is expected that around 62,000 employers will need on average 60 minutes to familiarise themselves with the changed incentive system.

Table 6: Regulatory costs of Option 2

Average annual regulatory costs (baseline option)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-5.215	N/A	1.573	-3.642

5.3 Option 3: New incentives model - Phased

Key impacts

This option would:

- Enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment levels once post-pandemic economic conditions stabilise;
- Simplify the program and reduce administrative burden;
- Create a system that is easier to navigate;
- Provide financial and non-financial support to all apprentices and employers of apprentices between 1 July 2022 and 30 June 2024;
- Increase financial support for apprentices in priority occupations; and
- Incentivise apprentices to take up in-demand skills.

Who would this option impact?

Those directly impacted by this option include:


- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of BAC);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who are required to deliver, navigate, understand and advise on incentives.

Overall impact – how does it address the problem?

This phased model will address all five problems with current apprenticeship incentives identified in Chapter Two, particularly in the first two years. It will prioritise support towards areas with skill shortages and will provide increased financial support to minimise rising costs. The model will also simplify the apprenticeship incentive system to reduce administrative burden and will maintain non-financial support for apprentices.

This proposal would introduce a new apprenticeships incentive system in two stages to provide a manageable step down in support from the BAC program for 2022-23 and 2023-24, before further reducing to pre-COVID-19 levels from 1 July 2024.

This approach would strengthen the targeting of Australian Government investment to priority occupations, withdrawing funding from non-priority occupations in phases. It would also enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to a pre-COVID-19 level of investment once post-pandemic economic conditions stabilise.



This package's first phase between 1 July 2022 and 30 June 2024 provides support to a broader cohort of apprentices and higher levels of support for priority occupations. The hiring incentive for non-priority occupations, coupled with the wage subsidy for priority occupations, ensures all employers are provided with some level of financial support.

This package's second phase, from 1 July 2024 and following a checkpoint to confirm economic conditions have stabilised, responds to changing economic conditions. It targets incentives towards priority occupations and key industries, which will reduce expenditure and focus on qualifications where there is the greatest need to ensure an appropriate level of investment is targeted to the future workforce.

Addresses - Incentives should be targeted to address skill shortages

The ongoing shortage of priority skills in Australia is a key economic problem that apprentices are uniquely suited to fill. Ensuring that apprenticeships fill these shortages is an important element of the vocational pipeline and will ensure Australia has a highly skilled workforce in the future.

This option will focus most support towards apprentices training in priority occupations, in both phases one and two.

During phase two, there would be no financial support for employers of apprentices in non-priority occupations. Because of this, commencements and completions in non-priority occupations are expected to decline from 1 July 2024. However, this option is projected to increase commencements and completions in priority areas and should incentivise apprentices towards choosing a skill in-demand, supporting the upskilling of the Australian workforce.

Addresses - Costs remain high and are increasing

Employer incentives under the current system are too modest to encourage employers to take up apprentices and have not matched rising costs of taking on an apprentice, particularly in the first two years of an apprenticeship. COVID-19 levels of support under the BAC and CAC have been successful at meeting these higher costs but were only designed as temporary measures.

Under this phased model, financial support will be increased for employers in priority occupations compared to pre-COVID-19. The wage subsidy during phase one will subsidise employers during their highest level of financial burden (the first and second years of the apprenticeship), while the higher hiring incentive during phase two will continue to make a financial contribution to the costs of onboarding an apprentice. Employers of apprentices in non-priority occupations will also receive financial support during phase one through a hiring incentive, ensuring that support is maintained during the economic recovery.

Addresses - Incentives do not focus on the decision maker

Research demonstrates that the apprentice, not the employer, is the key decision maker influencing the initial decision to commence an apprenticeship, the occupation in which they choose to study and whether to continue through to completion. Current incentives are generally not targeted to the apprentices and do not provide enough financial support to encourage retention. Both phases of this model direct financial support to the apprentice in priority occupations to incentivise them to start and continue their apprenticeship through to completion.

Addresses - Incentives are difficult to navigate and understand

The current apprenticeships incentive system has been criticised for being too complex, with 30 separate payment types available for employers and apprentices. This complexity adds an administrative burden to the system, discouraging employers from wanting to take on an apprentice and making it difficult for apprentices to understand their entitlements.

Under this phased model, this system would be significantly simplified, with payment types reduced to five, consistent with recommendations made by the Joyce Review. In addition, further administrative changes to the system would help reduce complexity. The phased system would recognise prior and concurrent qualifications, which has been a frequent frustration expressed by stakeholders during the sign-up process. This should minimise the regulatory burden of the system. However, this option is more complex than other options presented in this RIS as it involves changing the incentives structure after two years.

Addresses - Non-financial support is needed

This phased model will continue the non-financial support that currently exists under the AAIP, including ITS. In addition, further non-financial support will be introduced for young apprentices, including allocating specific ITS places for youth in priority occupations and introducing further support from their AASN provider through a phone call at three months after commencement.

Apprentices who have received non-financial support under the AAIP have been more likely to complete their apprenticeship.⁵⁸

Impacts on apprentices

The estimated impact on commencements and completions due to the changed incentives under this option, including specific cohorts such as women, are detailed in the *Impact on Commencements and Completions* section.

Financial support for priority occupations

Apprentices training in priority occupations will receive direct financial support under the phased option.

Continued non-financial support

Both priority and non-priority apprentices will receive non-financial support focused on addressing barriers to completion under this model, which will be retained from the AAIP.


Less complexity in the system

The reduction in the number of payment options as well as changes to eligibility requirements for recognition of prior and concurrent qualifications will make the system easier for apprentices to navigate.

Non-priority occupations

Under all options, apprentices in non-priority occupations will not attract any incentives. Employers of apprentices in priority occupations receiving funding are also likely to impact the number of

⁵⁸ Deloitte Access Economics (2012), *Econometric Analysis of the Australian Apprenticeships Incentives Program*.



commencements in non-priority occupations. Employers of non-priority apprentices will continue to be supported for the first two years (between 1 July 2022 and 30 June 2024), encouraging employers across the labour market to appropriately train and educate their workforce, providing greater workforce mobility for the future.

Impact on specific cohorts

Younger Australians (under 20)

Younger Australians were particularly affected by COVID-19 experiencing a higher proportion of unemployment. The latest ABS data from February 2022 shows the youth unemployment rate is double that of the overall population, at 9.3 per cent compared to 4.0 per cent.⁵⁹

Younger Australians are the largest cohort in the AAIP, meaning they have the greatest impact on commencements and completions. The youth support provides increased non-financial support which will help improve the completion rate for this cohort. The youth support will be available during both phases of this option.

1 July 2022- 30 June 2024

The priority wage subsidy will have a positive impact on commencements for younger Australians. Using NCVER in-training data, 95,640 young apprentices would be eligible for the current Priority List.⁶⁰

From 1 July 2024 onwards

As the economy rebounds from the uncertain and volatile conditions engendered by COVID-19, the level of support for employers of young apprentices will reduce to meet stable economic conditions. As a result, the second phase will result in a reduction in commencements for young apprentices. The rate of completion for this cohort is anticipated to remain elevated during this phase due to the youth support.

Regional and rural Australians

The take-up of the LAHFA payment is highest amongst regional and rural apprentices. Retaining this measure, coupled with the Apprentice Support Payment and ITS, will help improve completions for regional and rural Australians. Additionally, the Apprentice Support Payment will help apprentices in priority occupations address one of the key barriers of increasing costs in the Apprenticeship system.

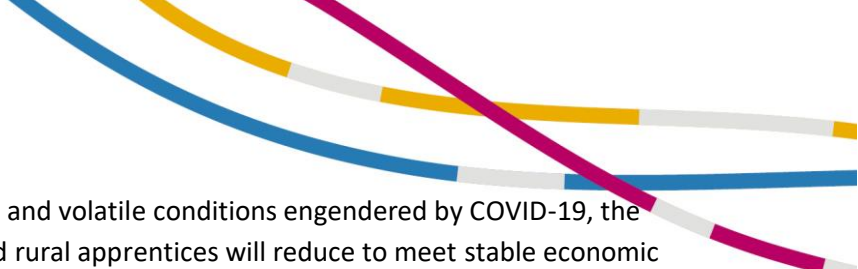
1 July 2022- 30 June 2024

During the first phase of support, commencements are anticipated to increase for regional and rural apprentices compared to pre-COVID-19 levels.

From 1 July 2024 onwards

⁵⁹ Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)

⁶⁰ NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, www.ncver.edu.au (accessed 1 November 2021)



As the economy stabilises from the uncertain and volatile conditions engendered by COVID-19, the level of support for employers of regional and rural apprentices will reduce to meet stable economic conditions. As a result, the second phase will result in a reduction in regional and rural apprenticeship commencements. However, by directing investment towards skills in demand, this option will encourage more regional apprentices to train in priority occupations.

Indigenous Australians

By continuing support for ITS, Indigenous Australian apprentices will continue to be supported by AASNs through mentoring, career support and referral pathways. In addition, the increase in financial support towards priority apprentices will help Indigenous Australian apprentices studying in demand areas of the economy.

1 July 2022- 30 June 2024

During the first phase of support, commencements are anticipated to increase for Indigenous Australians.

From 1 July 2024 onwards

As support levels for employers drop, commencements are anticipated to drop as the economy recovers from the impacts of COVID-19. In phase two, Indigenous Australian apprentices will be encouraged to train in priority occupations which are more likely to provide secure employment in the future.

Impacts on employers

Employers of apprentices in non-priority occupations will receive support comparable to pre-COVID-19 levels until 1 July 2024.

Under this phased option employers of apprentices in non-priority occupations will receive financial support comparable to the current standard incentive amount available under the AAIP in phase one.

Between 1 July 2022 and 30 June 2024 this option continues to provide a base level of support with a hiring incentive of \$3,500 paid in two instalments at six and 12 months from commencement to encourage employers to upskill their workforce providing greater labour mobility and broader economic benefits.

Continuing some support for non-priority occupations for two years encourages employers across the labour market to formerly train and educate their workforce, providing greater workforce mobility for the future. This contributes to broader economic benefits such as higher wages and better job and career opportunities. It also ensures some support for sectors that have been adversely impacted by COVID-19, for example tourism and hospitality.

After 1 July 2024, employers of apprentices in non-priority occupations will not be eligible for any government support. This ensures that in the longer term Government support prioritises skills in demand and reduces the financial costs of the system.

Increase in support for priority occupations

Hiring apprentices can be a financial risk for employers, particularly in the early years of the program. To assist with this, the phased program will initially provide a wage subsidy for employers of priority apprentices. This will subsidise 10 per cent of costs for first year apprentices (up to \$1,500 per quarter), 10 per cent for second year apprentices (up to \$1,500 per quarter), and 5 per cent for third year apprentices (up to \$750 per quarter).

During phase two this will reduce to an hiring incentive of \$4,000 for taking on an apprentice in a priority occupation.

In addition, continued non-financial support through ITS will support apprentices through to completion and ensure issues between employers and apprentices are addressed early.

Impacts on AASNs

Just as in Options 1 and 2, AASNs will continue to play a central role in the delivery of the new program. While grandfathering arrangements are in place, AASNs will need to deliver two separate models. The increased workload will be mitigated over time by a winding down of COVID-19 economic response measures, namely the BAC measure.

Impact on commencements and completions

Implementing Option 3 is expected to result in an increase in annual Australian Apprentice commencements in priority occupations initially by around 11,500 per year (for each of the first two years) and then around 5,500 per year (each year ongoing) compared to pre-COVID-19 levels. The number of apprentices supported in non-priority occupations is expected to be maintained at pre-COVID-19 levels before reducing as per Option 2 from July 2024. This option is expected to increase the proportion of Australian Apprentices who complete their priority apprenticeship by 7.4 per cent.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level with no reduction in the expected number of Australian Apprentices with a disability.

For the purpose of this impact assessment, Australian Apprentice commencements who identify with specific cohorts are assumed to make up a similar proportion of commencements to the pre-COVID-19 average. Under this option there is expected to be an initial slight increase in specific cohort commencements (+3 per cent women, +5 per cent Indigenous Australians and +9 per cent youth) between 1 July 2022 and 30 June 2024 compared to pre-COVID-19 levels, before reducing to the level of Option 2. However, this assessment does not take into account the expected change in occupation preferences that the new incentives model is intended to encourage and as a result should be treated with caution.

The inclusion of major caring professional occupations on the new skills list and expansion of the TSL program is expected to primarily benefit women apprentices and trainees.

Regulatory impact

The proposed option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts, and AASN providers would continue to be contracted by the Australian Government to deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.

Regulatory costs

Regulatory costs associated with Option 3 are provided in Table 7.1 and 7.2 and are based on the Regulatory Burden Measurement Framework, program data and expected changes in commencements and claim requirements. Regulatory costs are provided separately for the first phase (wage subsidy and non-priority support) and the second phase to demonstrate the changing regulatory costs.

The regulatory costs associated with Option 3 are administrative costs with claiming for incentives under the option and establishing an apprenticeship. The regulatory impact and cost of this option is due to the changed number of individuals and employers accessing the apprenticeship system, change in time and effort to claim, and a transitional cost for employers to familiarise themselves with the new system.

Employer time cost is assumed to be \$73.05 an hour, while an apprentice is assumed to be \$32.00 per hour.

Phase one

It is expected that around 161,000 apprentices will attract an employer or apprentice incentive. Based on the average number of claims required it is expected it would take an additional 59 minutes on average over the life of the apprenticeship for an employer to claim incentives, and an additional 21 minutes on average per apprentice.

Based on program data it is expected that around 62,000 employers will need on average 60 minutes to familiarise themselves with the changed incentive system.

Phase two

Assumptions for phase two are as per Option 2.

Table 7.1: Regulatory costs of Option 3 (1 July 2022 - 30 June 2024)

Average annual regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	14.061	N/A	1.683	15.744

Table 7.2: Regulatory costs of Option 3 (From 1 July 2024 onwards)

Average annual regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	-5.215	N/A	1.573	-3.642



Chapter Six: Consultation

6.1 Australian apprenticeships incentives reform consultation

As described in Chapter One, prior to the COVID-19 pandemic, reforms sought to identify opportunities to reduce the complexity in the incentives system and address the decline in commencements and completions. This reform drew heavily on the Joyce Review (discussed below).

This led to the inception of the Incentives for Australian Apprenticeships (IAA) program which proposes modest changes to the current program that would achieve a simplified payment structure and reduce system complexity. However, the COVID-19 pandemic has created a different economic landscape and presented many opportunities to learn from, including market responsiveness to incentives such as the Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies. The Productivity Commission's review of the National Agreement for Skills and Workforce Development (NASWD) has also exposed some of the current system's shortcomings.

The Government undertook several stakeholder engagement activities and research projects to assess if the IAA was still fit-for-purpose and to inform further reform. Feedback on challenges with current incentives and possible options for an improved system were sought from stakeholders, including employers, apprentices, peak bodies, training organisations and state and territory representatives.

Consultation determined the IAA is not equipped to operate in the current and emerging environment, without compromising commencements and completions. Instead, reforms should prioritise:

- Sustaining commencements, above pre-BAC levels;
- Targeting skill shortages to secure the future of the Australia's pipeline of skilled workers; and
- Providing more support to the apprentice, to improve completions.

Table 8: Key views from the sector summary

	Issues of significance
Apprentices	<p>Productivity Commission:</p> <p>Factors that contribute to apprenticeship non-completion:</p> <ul style="list-style-type: none"> • The immediate or prospective benefits may be too low; • The costs of undertaking an apprenticeship may be too high; and • There may be non-financial barriers, including lack of career information, and negative community or individual attitudes. <p>Wallis Surveys:</p> <ul style="list-style-type: none"> • Apprentices need and value non-financial support; • Barriers to entry, particularly sign-up; and • Apprentices highly value on-the-job training.
Employers	<p>Joyce Review:</p> <p>Employers are concerned by skills shortages in occupations for which apprenticeships are the main pathway.</p> <p>Productivity Commission:</p> <p>Factors that prevent employers from taking on an apprentice:</p> <ul style="list-style-type: none"> • The productive contribution of the apprentice may be too low; • The costs to employers may be too high; • The risk that their investment in an apprenticeship will not provide longer-term returns, (for instance non-completions). <p>Wallis Surveys:</p> <ul style="list-style-type: none"> • Challenges of hiring and sign-up; and • Employers support increased support for apprentices.
AASNs	<p>Productivity Commission:</p> <p>Joint contracting between Australian Apprenticeship Support Network (AASN) providers and Skill Training Authorities (STA) would improve the system.</p> <p>National Australian Apprenticeship Association – A blueprint for strengthening apprenticeships:</p> <p><i>Key issues for the apprenticeship system:</i></p>

Issues of significance
<ul style="list-style-type: none"> • How to maintain an optimal level of commencements and improve completions; • Improve the user experience; • Support businesses with new and higher-level skill needs; and • Align Vocational Education and Training (VET) reform agenda to meet needs of employers, apprentices and trainees.

Primary research

National Centre for Vocational Education research

National Centre for Vocational Education Research (NCVER) is the national professional body responsible for collecting, managing, analysing and communicating research and statistics on the Australian VET sector, including apprenticeships.

NCVER publishes a number of research findings on VET and apprenticeships, including a quarterly data infographic and research into specific apprenticeship issues aimed at helping inform policy. The direction and priorities for NCVER research is determined primarily through the Skills Senior Officials Network (SSON).

Some recent examples of their research include:

- Issues in apprenticeships and traineeships – a research synthesis (2021)
 - Incentives play an important role in encouraging and supporting apprenticeships and traineeships but need to be carefully calibrated.
 - The relevance of the historical apprenticeship model to changing industry, economic and social conditions has been challenged and there is support for alternative models of delivery.
- Apprentices and trainees 2020: impact of COVID-19 on training activity (2020)
 - Compared with the same period in 2019, the number of contract commencements showed marked declines in April and May 2020.
 - Impacts to commencements and suspensions were more pronounced for females than for males; and for contracts in non-trade rather than trade.
- Traditional trade apprenticeships: learnings from the field (2020)
 - There was strong support among the sector, including employers and apprentices, for maintaining the current element of apprenticeship training, such as on and off the job training.
 - Apprentices could feel challenged by the expectations of the workplace, understanding components of their courses and sustaining inter-personal interactions with their colleagues.

Strengthening Skills: Expert Review of Australia's Vocational Education and Training System: Joyce Review

On 28 November 2018, the Honourable Steven Joyce, former New Zealand Minister for Tertiary Education, Skills and Employment led an independent review of Australia's VET sector on behalf of the Australian Government.

The primary recommendation for the Australian Apprenticeship incentives system was that the Australian Government revamp and simplify its apprenticeships incentives program to make it more attractive to and more easily understood by apprentices and trainees and their employers.

Productivity Commission – National Agreement for Skills and Workforce Development Review

In the foreword of the review, the objective of NASWD is stated as:

The NASWD's objectives are to ensure the VET system delivers a productive and highly skilled workforce; enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia's economic future; and supports increased rates of workforce participation.

This review included reviewing current funding arrangements for the VET sector, including the Australian Apprenticeship Incentives Program (AAIP). The review found overall the three biggest priorities for the Australian Apprenticeships was to:

- Prepare and support apprentices;
- Reduce barriers to apprenticeship and non-apprenticeship pathways; and
- Reorient employer incentives – Employer incentives are more effective when they are front loaded.

Workshops with key stakeholders

The Department consulted with stakeholders on strengths and weaknesses of the existing Australian Apprenticeship System and design principles for future reform. Stakeholders were also asked to consider and identify practical implementation issues and possible solutions.

This involved:

- A workshop with state and territory officials to contribute ideas and practical solutions to inform an effective reformed incentives framework;
- Discussions with individual states and territories to further explore issues and possible solutions at the state level; and
- Workshops with the Skills Expert Panel and the VET Stakeholder Committee.

Wallis – Apprentice and Employer Surveys

The Department commissioned Wallis in late 2021 to explore what supports apprentices and employers needed to help them succeed in the Australian Apprenticeship ecosystem.

The surveys primarily focussed on the non-financial support currently available and sought input on the type of support needed to improve apprenticeship commencements and completion rates. Focus groups with a very limited number of apprentices and employers, identified the following topics for exploration:

- Perceptions of the employing process and becoming an apprentice/trainee;
- Support of apprentices/trainees (early on and current);
- Support for managing apprentices/trainees;
- AASN providers;
- Attrition/termination; and
- Overall views and perceptions of apprenticeships/traineeships.

Wallis received completed surveys from 500 current apprentices as well as 500 employers of apprentices. Key smaller populations such as Indigenous Australian Apprentices were over-sampled to ensure responses from these populations were obtained. The key findings are below:

Challenges of hiring and sign-up

- Both employers (28 per cent) and apprentices (17 per cent) consider fitting in with workplace and low wages are key challenges when starting apprenticeships; and
- However, 37 per cent of employers believe the apprentice work ethic or job readiness is more challenging.

Support for employers and apprentices

- The main sources of support differ between apprentices and their employers:
 - More than half employers reported getting support from AASNs and training providers.
 - Whereas apprentices are predominantly getting support from their families and their employers.

Apprentice

Apprentices identified the need for more support to help navigate workplace relations.

- Apprentices identified they need extra help to help them understand their rights and obligations. Apprentices reported issues such as signing up with blank contracts, being underpaid and working on site on the days they are supposed to be at training;
- Over a fifth of apprentices identified better training/support from training providers as being critical non-financial support;
- Nearly half (46 per cent) of apprentices consider AASN providers fully or mostly meet their expectations; and
 - Qualitative research suggests that where apprentices have had a limited interaction with the AASN their understanding of the role/support they could get from their AASN providers can be unclear and is also limited. AASN providers have not been reachable at times when the apprentice needs help.
- Apprentices indicate the lack of consistent name or brand of AASN could be contributing to the confusion about what AASNs can do and what apprentices can expect from them.

Employer

Employers note they need support with improved training/trainers, and financial support.

- Qualitative data found some employers and individuals expressed frustration at the perceived quality of some Registered Training Organisations (RTOs) and the need to change RTOs if the RTO failed to retain their accreditation;
- In addition to training quality issues, they noted that RTOs are perceived as generally not flexible enough for apprentices; and
- The majority of employers (60 per cent) believe the support they received from AASN providers fully or mostly meet their expectations.

Deloitte

The Department of Education, Employment and Workplace Relations commissioned Deloitte Access Economics to conduct an econometric analysis of the AAIP, which was completed on 5 March 2012.

Their analysis drew two high level conclusions:

- Financial incentives have a positive effect on commencements, with payments made of over \$1,000 having a significantly positive effect; and
- The timing of when incentives are paid is very important.

Importantly, their analysis found that incentivising individual apprentices to improve completions is more effective than incentivising employers.⁶¹

How did we incorporate feedback into policy? What other consultation will occur?

What is the feedback telling us?

Overall, feedback across the sector has been fairly consistent, from Australian Government and State Government, employers, apprentices, AASNs and research, and includes:

- Apprentices need more support, both financially and non-financially;
- There are barriers to sign-up;
- Apprenticeships can play a key role in targeting priority skills;
- Policy needs to target apprenticeships to build on the gains from the BAC and continue to encourage increased commencements; and
- Completions are an important part of the equation.

These views and concerns have been used to shape Option 2 and Option 3. In particular, Option 3 enables a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment once post-pandemic economic conditions stabilise.

⁶¹ Deloitte Access Economics (2012) *Econometric Analysis of the Australian Apprenticeships Incentives Program* (accessed 16 March 2022)



Chapter Seven: Recommended Option

The Australian Government is committed to a skills-led recovery from the COVID-19 pandemic and Australian Apprenticeships are a key part of this plan. Reforms that redirect incentives to both apprentices and employers, align the value of support commensurate to the costs involved, and balance the Australian Government's investment towards areas of need will have the greatest success in reducing barriers to Australian Apprenticeships.


Targeting priority skills areas, and key industries reduces expenditure across the system and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into our future skilled workforce. This approach is expected to lead to an increase in commencements and completions in priority occupations. It is also expected to lead to an increase in the supply of apprenticeship opportunities in key industries.

Without action, Option 1, the Incentives for Australian Apprenticeships (IAA) program will be introduced on 1 July 2022. While this would simplify incentives, it would do little to address barriers to commencing and completing an apprenticeship and in turn fail to effectively address the skill shortages. The IAA was developed in the pre-COVID-19 economy and is no longer fit for purpose. If Option 1 is implemented, Australian Government expenditure on the Australian Apprenticeships system would be reduced substantially, however an opportunity would be missed to address declining commencement numbers (pre-Boosting Apprenticeship Commencements (BAC) figures) and historically low retention and completion rates that COVID-19 economic response measures have effectively reversed.

Option 2 responds to emerging skills needs and clearly targets government funding to priority areas of future growth and development, including anticipated areas of skills needs and employment opportunities. This option sends a clear message to prospective apprentices to take up an apprenticeship in an in-demand trade and care occupation. However, this option will have a sudden and negative impact on non-priority occupations, with no support available for employers or apprentices in non-priority occupations from 1 July 2022. This will result in a decrease in commencements in non-priority occupations. This outcome will be particularly pronounced for women, Indigenous Australian and rural and regional apprentices for whom it is expected to have the greatest impact.

Option 3 is the preferred option as it best addresses the feedback raised during consultation while meeting current and emerging economic conditions. This option is the only option to address each of the policy issues identified:

- Incentives were not targeted to meet skill shortages;
- Costs remain high and are increasing for both the employer and the apprentice;
- Incentives do not focus on the decision maker;
- Incentives are difficult to navigate and understand; and
- Non-financial support is needed for apprentices.



This approach would re-direct Australian Government investment from non-priority occupations (for example office managers, general clerks and sales assistants) to priority occupations (for example carpenters, electricians and childcare workers) in phases. It would also enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment once post-pandemic economic conditions stabilise.

Chapter Eight: Implementation and Review

8.1 Implementation

Legislation

New primary legislation is recommended for any new incentives system to improve and simplify administration of the program and protect apprentices through strengthened accountability. Additionally, changes to the Trade Support Loans (TSL) will need to be reflected in the TSL Act and Rules.

New legislation will not be in place until after 1 July 2022. In the interim, legislative authority and operation of the new program (excluding TSL) will rest on items in the Financial Framework (Supplementary Powers) Schedule 1AB (FFSP) and robust Program Guidelines, similar to the operation of the current program.

Changes to the TSL will be implemented once proposed changes to the enabling legislation are made. The TSL is governed by the Trade Support Loans Act 2014 and two legislative instruments: the Trade Support Loans Rules 2014 and Trade Support Loans Priority List 2014.

It is anticipated that legislation will be introduced in the Spring 2022 sittings.

Program guidelines

The implementation of the Australian Apprenticeships Incentive System (AAIS) would be supported by new Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.

All existing employers and apprentices on the current program that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.

AASN provider contracts

Implementing the new incentives model would require a variation to the Australian Apprenticeship Support Network (AASN) provider contract which commenced on 1 February 2020. The current AASN contract contains provision for delivery of a new incentives model, so the variation simply needs to insert the AAIS name into the contracts.

Strong and effective communication between the Department, AASN providers and employers/apprentices will be required to ensure program participants are well informed regarding their potential eligibility for various payments. This is consistent with the current role of the AASN and a continuation of their current work, and a change such as this is easily accommodated by a contract variation.

In addition to delivering the new model, AASN providers would also continue to deliver the current program, as employers claiming incentives for an Australian Apprentice prior to 1 July 2022 would continue to receive payments under the old payment structure for that apprentice.



Grandfathering arrangements

To maintain simplicity and reduce overall costs, existing employers and Australian Apprentices that commenced prior to 1 July 2022 will be grandfathered under their existing arrangements. This will ensure that employers and apprentices continue to receive the support they anticipated when initiating the apprentice-employer relationship.

Stakeholder engagement

As part of implementation, consultation with key stakeholders (including the AASN) would be undertaken to manage the change process for the new incentives model. This will include consideration of IT capabilities as a result of Apprenticeships Data Management System (ADMS). Additionally, the Priority List will be carefully communicated to ensure stakeholders understand how the Priority List is updated and where to find current information.

AASN providers will continue to provide wrap-around services, helping to ensure that employers and apprentices understand what incentives they are eligible for under the new system, and have access to non-financial supports to effectively engage with the apprenticeships system.

Information technology

The new incentives framework will be delivered through the new ADMS, however the Training and Youth Internet Management System will continue to support existing incentives until the new system is fully operational. ADMS will provide a better user experience, with a strong self-service component for apprentices and employers when lodging claims.



8.2 Evaluation

The Department will evaluate the new incentives system through a combination of ongoing consultation with stakeholders through existing governance groups and surveys, qualitative research into the impact of the new model on stakeholders and quantitative analysis of administrative and longitudinal data to assess the appropriateness, effectiveness and efficiency of the new model. The evaluation will consider the new incentives against the key policy issues outlined in Chapter Two.

The new ADMS will provide more timely program data which will enable the Department to better monitor the new AAIS. The Department worked closely with a broad range of stakeholders to develop the ADMS and will continue to work with these stakeholders during the implementation of the project. The incremental approach to development provides the opportunity for the Department to regularly assess, evaluate and test the components of the new system to ensure it meets users' needs. This approach allows for early identification and mitigation of issues as they arise.

The recommended policy option is targeted towards occupations on the Australian Apprenticeships Priority List (Priority List), which has been developed to better capture skill shortages in the apprenticeship space and emerging skill shortages in health care due to COVID-19. The Priority List will be updated and evaluated annually to maintain relevance to the needs of employers. Regular updates to the Priority List will ensure that the program targets those in areas of skills need and adapts to changing market requirements.

The impact of the proposal will be reviewed at key intervals. The first checkpoint review will take place in 2023–2024 (two years after commencement), before phase two commences. As part of this review the Department will consult industry, the Vocational Education and Training sector and the National Skills Commission. This review will analyse the effect of phase one to determine whether it has led to an increase in commencements and inform next steps.

The implementation of ADMS, annual updates to the Priority List and reviews of the new AAIS will give Australian employers and apprentices access to high quality and relevant training to meet the needs of a changing economy. Reforming the Australian apprenticeships incentives system will better target government investment to support employers and apprentices meet the skills gap in Australia.

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Chapter Ten: Attachments

Attachment A: Background on Australian Apprentices

Figure 4 and Figure 5 show the number of trade and non-trade apprentices across each state and territory, comparing 2020 and 2021 data. The distribution of apprentice numbers across each jurisdiction are comparable to population data – the states with the largest populations also have the largest number of apprentices in-training. Most trade apprenticeship workplaces in Australia are located in major cities (62 per cent), with 34 per cent located in regional areas, and four per cent in remote areas.⁶²

Figure 4: Trade apprentices and trainees in-training by state/territory, as of 30 June 2020 and 2021.⁶³

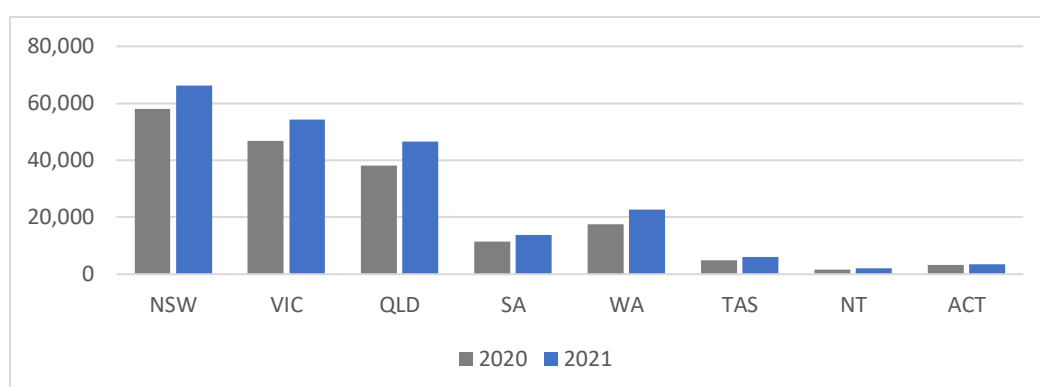
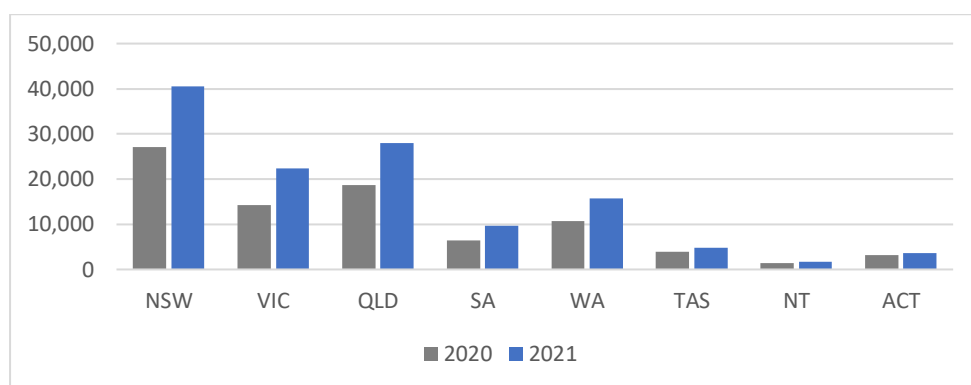


Figure 5: Non-trade apprentices and trainees in-training by state/territory, as of 30 June 2020 and 2021.⁶⁴



⁶² NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022).

⁶³ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022).

⁶⁴ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022).

Table 9: Trade and non-trade proportions by state⁶⁵

	Trade		Non-trade		Total
	#	%	#	%	#
New South Wales	66,225	62.0%	40,515	38.0%	106,740
Victoria	54,325	70.9%	22,295	29.1%	76,620
Queensland	46,490	62.4%	27,980	37.6%	74,465
South Australia	13,695	58.5%	9,715	41.5%	23,410
Western Australia	22,745	59.2%	15,655	40.8%	38,400
Tasmania	6,000	55.3%	4,850	44.7%	10,845
Northern Territory	2,005	53.4%	1,750	46.6%	3,750
Australian Capital Territory	3,485	48.8%	3,655	51.1%	7,145
Australia	214,970	63.0%	126,410	37.0%	341,385

The split between trade and non-trade apprentices for each jurisdiction largely mirrors the national split of around 64 per cent to 36 per cent, however there are a few exceptions that could be attributed to the dominant industries and employment opportunities present in those areas. For example, both the Northern Territory (NT) and the Australian Capital Territory (ACT) have a more even split between trade and non-trade apprentices. The ACT and NT's higher non-trade Australian Apprentice count can be in large part attributed to the larger proportion of service-based industries (such as Public Administration and Safety, and Health Care and Social Assistance) in these territories.

Table 10: Number of apprentices and trainees in-training as at 30 June 2021 by occupation and state/territory.⁶⁶

Occupation (ANZSCO) group	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUST
Managers and Professionals	1,980	1,680	1,240	770	575	335	110	840	7,535
Technicians and Trades Workers	66,225	54,325	46,490	13,695	22,745	6,000	2,005	3,485	214,970
31 Engineering, ICT and Science Technicians	1,445	1,310	1,585	445	865	205	55	150	6,060
32 Automotive and Engineering Trades Workers	15,730	9,100	13,995	3,555	9,610	1,285	615	465	54,360
33 Construction Trades Workers	21,575	21,710	12,000	3,540	3,710	2,315	435	1,185	66,465
34 Electrotechnology and Telecommunications Trades Workers	15,475	10,765	9,770	3,090	4,845	780	595	985	46,305
35 Food Trades Workers	3,510	3,615	2,800	1,060	1,240	560	85	205	13,065
36 Skilled Animal and Horticultural Workers	3,180	3,150	1,655	680	480	210	50	185	9,595
39 Other Technicians and Trades Workers	5,310	4,680	4,680	1,325	1,995	640	170	315	19,120
Community and Personal Service Workers	13,595	8,180	8,100	1,960	4,705	1,390	780	1,355	40,060
Clerical and Administrative Workers	9,895	4,725	7,960	2,440	3,540	1,405	265	785	31,010
Sales Workers	7,535	2,960	3,300	2,195	1,725	680	230	265	18,890

⁶⁶ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 25 January 2022).

Occupation (ANZSCO) group	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	AUST
Machinery Operators and Drivers	3,795	1,705	4,790	875	3,185	475	155	220	15,195
Labourers	3,710	3,050	2,595	1,475	1,925	565	210	185	13,715
Total	106,740	76,620	74,465	23,410	38,400	10,845	3,750	7,145	341,385

In 2021, 27.4 per cent of employers had apprentices or trainees⁶⁷. The majority of Australian Apprenticeships are offered by small to medium sized businesses who employed around 71 per cent of apprentices as at 30 June 2021.⁶⁸

Australian Apprenticeships range from Certificate II up to Advanced Diploma level in more than 500 occupations across Australia. Positions are available in traditional trades, as well as a diverse range of emerging careers. An Australian Apprenticeship can take between one and four years to complete, depending on the type of program and qualification. Tables 11 and 12 show the top five increasing trade and non-trade occupations for apprenticeship commencements in 2020-2021.

Table 11: Top five increasing trade occupations for Australian Apprentices (June 2020 - June 2021)

ANZSCO minor occupation	2020	2021	Increase	Per cent
331 Bricklayers, and Carpenters and Joiners	30,360	36,100	5,745	18.9%
341 Electricians	32,300	36,220	3,920	12.1%
321 Automotive Electricians and Mechanics	24,545	28,190	3,645	14.8%
334 Plumbers	18,565	20,975	2,405	13.0%
351 Food Trades Workers	10,955	13,065	2,110	19.3%

Table 12: Top five increasing non-trade occupations for Australian Apprentices (June 2020 – June 2021)

ANZSCO minor occupation	2020	2021	Increase	Per cent
512 Office and Practice Managers	2,895	8,395	5,500	189.9%
531 General Clerks	6,960	12,380	5,420	77.9%
431 Hospitality Workers	7,690	12,005	4,320	56.2%
621 Sales Assistants and Salespersons	10,525	14,350	3,830	36.4%
421 Child Carers	10,880	14,540	3,660	33.7%

⁶⁷ NCVER (2021) *Employers' use and views of the VET system 2021*, www.ncver.edu.au (accessed 27 January 2022)

⁶⁸ NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, www.ncver.edu.au (accessed 19 January 2022).

Attachment B: Current Payments Under the AAIP

Support available to employers

Standard and targeted incentives

The Australian Government provides financial incentives to employers at the time of commencement, during and at completion of eligible Australian Apprenticeships. Standard incentives are up to \$4,000 (\$1,500 on commencement and \$2,500 on completion) for eligible apprenticeships and are often complemented by a range of state and territory payments (which vary by jurisdiction). In addition, the Australian Government provides targeted employer incentives for:

- Apprentices with a disability;
- Australian School-based Apprentices;
- Mature-aged workers;
- Rural and regional skills shortage; and
- Adult apprentices.

A full list of payments available under the AAIP is available at the table below.

Additional Identified Skills Shortage incentive

In the 2019-20 Budget, the Australian Government committed \$156.3 million to establish an AISS incentive payment to boost the supply of skilled workers in ten occupations identified as experiencing national skills shortages (AISS occupations).

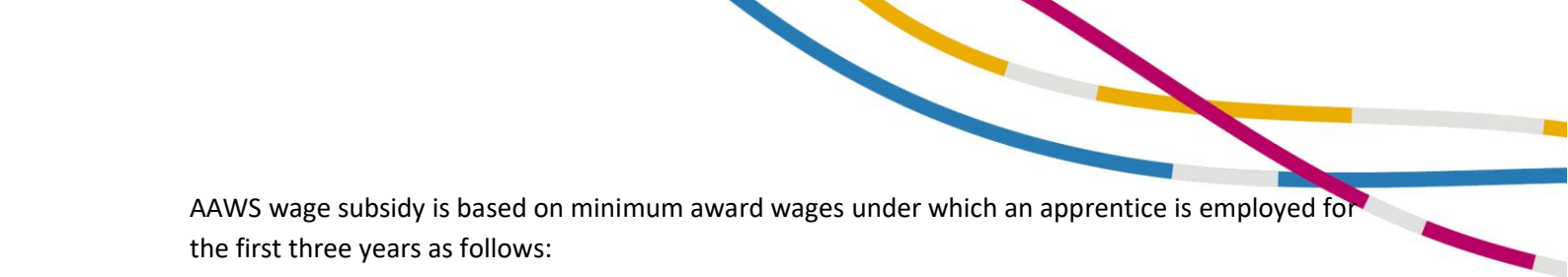
Eligible employers receive \$2,000 at the 12-month point of the apprenticeship and an additional \$2,000 at completion of the apprenticeship. To be eligible for this payment employers must be able to demonstrate that the Australian Apprentice is in addition to their usual apprentice intake. Apprentices that attract an AISS payment for their employer must also be new to the business (not already having worked for their employer for more than three months full-time equivalent) and undertaking a qualification leading to one of the ten AISS occupations.

AISS incentive also provides payments for apprentices – see below under *Support available for Australian Apprentices*.

AISS incentive payments are additional to any payments the apprentice or employer may be eligible for under Australian Government programs.

Australian Apprenticeships Wage Subsidy trial

The Australian Apprenticeships Wage Subsidy (AAWS) trial which commenced in 2019, was capped at 3,260 new Australian Apprentices employed in rural and regional areas and was limited to occupations on the NSNL. With two phases in the trial, to be eligible employers needed to have signed-up and commenced their Australian Apprentices from 1 January 2019 (Phase 1) or from 1 July 2019 (Phase 2). Take up of places on the trial was rapid, and the trial is fully subscribed.



AAWS wage subsidy is based on minimum award wages under which an apprentice is employed for the first three years as follows:

- 75 per cent for the first year;
- 50 per cent for the second year; and
- 25 per cent in the third year of the apprenticeship.

Disabled Australian Apprentice Wage Support Program

Under DAAWS, employers receive a \$104.30 wage subsidy per week per full-time apprentice or trainee with a disability (pro-rata for part-time apprentices). Assistance is also provided to RTOs at a rate of \$38.50 per hour (up to \$5,500 per eligible apprentice or trainee per annum) for tutorial, mentoring and interpreter services for apprentices experiencing difficulties with the off-the-job component of their training.

COVID-19 economic response measures


The SAT and BAC wage subsidies were introduced in 2020 as short-term measures to support and protect apprenticeships during the COVID-19 pandemic. These wage subsidies provide support for 50 per cent of apprentice or trainee wages (up to \$7,000 per quarter), paid to employers quarterly in arrears. These interventions recognised that apprentices and trainees are often the first to lose their job during times of economic downturn and that many businesses are reluctant to take on new and/or inexperienced workers during uncertain economic situations.

Introduced in March 2020, the SAT is a retention measure designed to shield apprentices and trainees from the economic fallout of the COVID-19 pandemic. The estimated \$1.4 billion expended on SAT contributed to retaining around 134,500 apprentices since its introduction. Early program data shows apprentices whose employers attracted the SAT wage subsidy were around 65 per cent more likely to complete and were twice as likely to resume their apprenticeship or traineeship from suspension than those eligible for SAT but who did not claim it.⁶⁹ The SAT ceased on 31 March 2021.

Announced in October 2020, the BAC wage subsidy is targeted at encouraging apprenticeship commencements during the COVID-19 economic recovery period and seeks to create apprenticeship pathways and new opportunities for school leavers, job seekers and those looking to change careers. The BAC is a broad-based wage subsidy available to apprentices and trainees undertaking Certificate II or higher qualifications in both trade and non-trade areas and can be accessed by employers taking on new workers or seeking to reskill and upskill their existing workforce.

Since the introduction of the BAC in October 2020, the number of Australian Apprenticeship commencements has increased significantly - in the first 3 months of the BAC, commencements more than doubled (71,335 commencements compared to 28,705 October to December 2019)⁷⁰. In 2021 the program continued to support an increase in commencements. The most recent NCVER report on Australian Apprentices and Trainees shows a 59.5 per cent increase in commencements

⁶⁹ Internal Department data, unpublished



for the 12-month period ending 30 June 2021 when compared to the previous year.⁷¹ The BAC will close to new commencements on 31 March 2022.

Completing Apprenticeship Commencements

In October 2021, the Australian Government announced the CAC wage subsidy to ease the transition for all BAC eligible employers by providing transitional support for the second and third year of an Australian Apprenticeship.

Under this measure, eligible employers will receive a wage subsidy of 10 per cent of wages paid to an eligible apprentice or trainee in the second year of their apprenticeship, to a maximum of \$1,500 per quarter, per apprentice. In the third year, eligible employers will also receive a wage subsidy of five per cent of wages paid to an eligible apprentice or trainee to a maximum of \$750 per quarter, per apprentice.

Support available for apprentices and trainees

Living Away From Home Allowance

LAFHA is a tax exempt, weekly allowance payable to Australian Apprentices who must move away from their parents' or legal guardians' home for the first time, or travel significant distances to take up or retain an Australian Apprenticeship. Currently, eligible recipients can claim payments ranging from \$77.17 per week in their first year, to \$25 per week in the third year. LAFHA is also available to Australian Apprentices who are homeless.

Additional Identified Skills Shortage Payment for Apprentices

All Australian Apprentices, commencing in a qualification leading to an AISS occupation, with an AISS eligible employer, are able to receive \$1,000 at the 12-month point, and \$1,000 at the successful completion of their apprenticeship, regardless of whether they are additional to the employer's usual hiring practice, as long as they are new to the business and not an existing worker.

AISS payments are additional to any payments the apprentice or employer may be eligible for under Australian Government programs.

Trade Support Loans

TSL was introduced in July 2014 to replace the Tools For Your Trade program. It is administered through the *Trade Support Loans Act 2014* (rather than the AAIP) to encourage more young people to take up and complete a trade qualification. TSL supports apprentices to meet everyday costs while undertaking their training and provides up to \$21,542 (2020-21 lifetime limit) in income contingent loans. Loans are repaid through the Australian Taxation Office (ATO) once an apprentice earns above a minimum repayment threshold (\$46,620 for the 2020-21 income year). Apprentices who successfully complete their apprenticeship receive a 20 per cent discount on their loan amount.

Table 13: Employer incentives available under the AAIP

Employer Incentives		
Payments available at Commencement		
Commencement Incentive	\$1,250	Available where an employer commences a new worker Australian Apprentice deemed to be part of a nominated equity group at the Certificate II level qualification.
	\$1,500	Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-Based Apprenticeships).
	\$1,500	Available where an employer commences a new worker Australian Apprentice at a: <ul style="list-style-type: none"> • Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships). • Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships). • Certificate III or IV level qualification in a non-priority occupation (including

		Australian School-based Apprenticeships).
Rural and Regional Skills Shortage Incentive	\$1,000	Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate III or IV qualification that leads to an occupation on the NSNL in a rural or regional workplace.
Declared Drought Area Commencement Incentive	\$1,500	Available where an employer who holds a current Exceptional Circumstances Drought Area certificate and commences a new worker or existing worker Australian Apprentice deemed to be part of a nominated equity group, in an eligible Certificate II level qualification.
Mature Aged Workers Commencement Incentive	\$750	Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or higher level qualification who is a disadvantaged person aged 45 years or more.
Australian School-based Apprenticeship Commencement Incentive	\$750	Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or higher level qualification in an endorsed Australian School-based Apprenticeship.
Payments available for Retention		
Australian School-based Apprenticeship Retention Incentive	\$750	Available where an employer continues to employ a Certificate II or higher level Australian School-based Apprentice for at least 12 weeks after the student has completed secondary school.
Payments available at Recommencement		
Recommencement Incentive	\$750	Available where an employer recommences a new worker or existing worker Australian Apprentice in a Certificate III or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-based Apprenticeships).

	\$750	<p>Available where an employer recommences a new worker Australian Apprentice at a:</p> <ul style="list-style-type: none"> • Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships). • Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships). • Certificate III or IV level qualification in a non-priority occupation (including Australian School-based Apprenticeships).
Payments available at Completion		
Completion Incentive	\$1,500	Available for employers of a new worker or existing worker part-time Australian Apprentice who successfully completes a Certificate III or IV level qualification that leads to a Priority Occupation.
	\$1,500	Available for employers or new worker Australian Apprentices who successfully complete a part-time Australian Apprenticeship.
	\$2,500	Available for employers of new worker or existing worker Australian Apprentices who successfully complete a Certificate III or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-based Apprenticeships).
	\$2,500	Available for employers of a new worker Australian Apprentice who successfully completes a:

		<ul style="list-style-type: none"> • Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships). • Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships). • Certificate III or IV level qualification in a non-priority occupation (including Australian School-based Apprenticeships).
	\$3,000	<p>Available for employers of an existing worker Australian Apprentice who successfully completes a:</p> <ul style="list-style-type: none"> • Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships). • Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships).
Group Training Organisations Certificate II Completion Incentive	\$1,000	Available for Group Training Organisations that support Australian Apprentices deemed to be part of a nominated equity group, to successfully complete a Certificate II level Australian Apprenticeship.
Declared Drought Area Completion Incentive	\$1,500	Available for employers of Australian Apprentices deemed to be part of a nominated

		equity group, who successfully complete an eligible Certificate II qualification and who attracted a Declared Drought Area Commencement Incentive.
Mature Aged Worker Completion Incentive	\$750	Available for employers of an Australian Apprentice who successfully completes a Certificate II or higher level qualification and who attracted a Mature Aged Worker Commencement Incentive.
Adult Australian Apprentices		
Support for Adult Australian Apprentices	\$4,000	<p>Available to employers of adult workers to upgrade their skills through an Australian Apprenticeship at the Certificate III or IV level in an occupation on the NSNL</p> <ul style="list-style-type: none"> • An adult apprentice is defined as being aged 21 years or over if they commenced their apprenticeship on or after 1 July 2019, or 25 years or over if they commenced prior to 1 July 2019. • Employers may be eligible for Support for Adult Australian Apprentices where the actual wage paid to the Australian Apprentice is equal to or greater than the National Minimum Wage. • Employers may be eligible once the Australian Apprentice has successfully completed 12 months of their Australian apprenticeship.
Australian Apprentice Wage Subsidy trial		
Australian Apprentice Wage Subsidy	<p>Available to employers who employ a new worker Australian Apprentice undertaking a full-time Certificate III or IV qualification that leads to an occupation listed on the NSNL in a rural or regional workplace.</p> <p>Based on the award wage rate (modern award) under which an Australian Apprentice is employed and provides support in the first three years of an Australian Apprenticeship as follows: 75</p>	

	<p>per cent of the first year wage; 50 per cent of the second year wage; and 25 per cent of the third year wage.</p> <p>There are two phases of the Australian Apprentice Wage Subsidy Trial:</p> <ol style="list-style-type: none"> 1. Phase 1 – available to employers who sign-up and commence an Australian Apprentice from 1 January 2019 and until 1,630 sign-ups have occurred. 2. Phase 2 – available to employers who sign-up and commence an Australian Apprentice from 1 July 2019 and until 1,630 sign-ups have occurred.
Additional Identified Skills Shortage Payment	
Employer Payment	<p>Available to employers of Australian Apprentices new to the employer, commencing a Certificate III or IV level qualification leading to an occupation on the AISS list. Employers will only be eligible to claim the Additional Identified Skills Shortage payment for apprentices that qualify as being additional, that is over and above the employer’s usual apprentice intake.</p> <p>Eligible employers will receive \$2,000 at the 12 month point from commencement of the apprenticeship and an additional \$2,000 at the completion of the apprenticeship.</p>
Apprentice Payment	<p>Available to apprentices new to the employer commencing a Certificate III or IV level qualification leading to an occupation on the AISS list.</p> <p>Eligible apprentices will receive \$1,000 at the 12 month point from commencement of the apprenticeship and an additional \$1,000 at the completion of the apprenticeship.</p>
Assistance for Australian Apprentices with Disability	
DAAWS	<p>Provides additional assistance to employers who employ an Australian Apprentice with disability in a Certificate II or higher level qualification.</p> <p>Paid at a rate of \$104.30 per week for a full-time Australian Apprentice, and on a pro-rata scale according to the hours worked for a part-time Australian Apprentice.</p>
Off-the-job Tutorial, Mentor and Interpreter Assistance	<p>Assistance for Tutorial, Mentor and Interpreter Services is available to Registered Training Organisations to support</p>

	Australian Apprentices with disability who are experiencing difficulty with the off-the-job component of their Australian Apprenticeship because of their disability.
Payments to Australian Apprentices	
LAFHA	<p>Australian Apprentices undertaking a Certificate II or higher level qualification may be eligible if they have to move away from their parental/guardian home for the first time to commence or remain in an Australian Apprenticeship, or are homeless.</p> <p>Australian Apprentices may be eligible for up to 12 months of LAFHA at the first year rate of \$77.17 per week, a further 12 months assistance at the second year rate of \$38.59 per week, and a further 12 months assistance at the third year rate of \$25 per week.</p>

Attachment C: Comparison of incentives - AAIP to IAA

Table 14: Comparison of AAIP and IAA

Previous incentive (AAIP)	How streamlined/simplified (IAA)
NSNL, 'Priority AAIP', and 'other' categories	Merged into a single category for the base incentives (\$1,500 commencement, \$2,500 completion). Employers are eligible as long as their apprentice is new. If their apprentice is in an NSNL or Priority occupation, they are eligible even if the apprentice is an existing employee.
Eligibility for the base incentives	Extended to Diploma and Advanced Diploma apprentices, not just those undertaking a Certificate III or IV.
Payment amounts for employers of part-time apprentices	Increased to match the payments for full-time apprentices, eliminating the distinction between full-time and part-time across all categories.
Rural and Regional Skills Shortage commencement incentive and the ASbA commencement and retention incentives	Merged into a single 'Target Groups' category. <ul style="list-style-type: none"> The Rural and Regional Skills Shortage commencement incentive will reduce from \$1,000 to \$750, but a \$750 completion incentive will be added, a net gain of \$500 for this cohort. The \$750 ASbA retention incentive will change to a completion incentive, to encourage employers to retain their school-aged apprentices beyond the 12 weeks required to claim the retention incentive. ASbAs undertaking a Certificate II will no longer be eligible for this incentive, however they will still be able to claim the Certificate II Target Groups incentives.
Nominated Equity Groups commencement incentive	Increased from \$1,250 to \$1,500 , and split into a \$750 commencement incentive and a \$750 completion incentive.
GTO Certificate II completion incentive	Reduced from \$1,000 to \$750 but there will be no net loss in payments for GTOs due to the Target Groups incentives increasing by \$250 .
Support for employers of ASbAs undertaking a Certificate II	Additional \$1,500 commencement incentive introduced, to ensure employers of ASbAs undertaking a Certificate II are not disadvantaged by no longer being able to claim both the Nominated Equity Groups commencement incentive and the ASbA commencement and retention incentives.
Support for Adult Australian Apprentices (SAAA) incentive	Unchanged.

Previous incentive (AAIP)	How streamlined/simplified (IAA)
Mature Aged Worker commencement and completion incentives	Unchanged.
Declared Drought Area commencement (\$1,500) and completion (\$1,500) incentives	<p>Discontinued. While the Incentive is ongoing, in June 2014 the Department of Agriculture ceased issuing Exceptional Circumstances Certificates. As such it is not possible for an employer to meet the eligibility criteria to claim this incentive.</p> <p>Data for this Incentive is only available from 2004. From 2004 to date, 741 apprentices have attracted payments for their employers, totalling \$1.615M.</p>
<p>Minimum total incentives \$4,000 (Certificate III and above), \$1,250 (Certificate II).</p> <p>Maximum total incentives \$10,500 (Certificate III and above), \$3,750 (Certificate II).</p>	<p>Minimum total incentives:</p> <p>\$4,000 (Certificate III and above) – unchanged</p> <p>\$1,500 (Certificate II) – increase by \$250</p> <p>Maximum total incentives:</p> <p>\$11,000 (Certificate III and above) – increase by \$500</p> <p>\$3,750 (Certificate II) – unchanged</p>

Attachment D: Australian Apprenticeships Priority List

ANZSCO Code	Occupation
423111	Aged or Disabled Carer
311111	Agricultural Technician
334112	Airconditioning and Mechanical Services Plumber
342111	Airconditioning and Refrigeration Mechanic
323111	Aircraft Maintenance Engineer (Avionics)
323112	Aircraft Maintenance Engineer (Mechanical)
323113	Aircraft Maintenance Engineer (Structures)
362212	Arborist
321111	Automotive Electrician
351111	Baker
331111	Bricklayer
351211	Butcher or Smallgoods Maker
394111	Cabinetmaker
342411	Cabler (Data and Telecommunications)
331212	Carpenter
331211	Carpenter and Joiner
351311	Chef
421111	Child Care Worker
312211	Civil Engineering Draftsperson
312212	Civil Engineering Technician
351411	Cook
423211	Dental Assistant
321212	Diesel Motor Mechanic
411311	Diversional Therapist
334113	Drainer

ANZSCO Code	Occupation
312311	Electrical Engineering Draftsperson
312312	Electrical Engineering Technician
342211	Electrical Linesworker
341111	Electrician (General)
341112	Electrician (Special Class)
411411	Enrolled Nurse
322113	Farrier
333211	Fibrous Plasterer
323211	Fitter (General)
323212	Fitter and Turner
323213	Fitter-Welder
332111	Floor Finisher
394211	Furniture Finisher
334114	Gasfitter
333111	Glazier
362311	Greenkeeper
391111	Hairdresser
331213	Joiner
362213	Landscape Gardener
323313	Locksmith
311312	Meat Inspector
322114	Metal Casting Trades Worker
322311	Metal Fabricator
323214	Metal Machinist (First Class)
321211	Motor Mechanic (General)
321213	Motorcycle Mechanic

ANZSCO Code	Occupation
362411	Nurseryperson
423312	Nursing Support Worker
332211	Painting Trades Worker
324111	Panelbeater
351112	Pastrycook
423313	Personal Care Assistant
334111	Plumber (General)
322312	Pressure Welder
334115	Roof Plumber
333311	Roof Tiler
361211	Shearer
322211	Sheetmetal Trades Worker
399112	Shipwright
399611	Signwriter
321214	Small Engine Mechanic
333212	Solid Plasterer
331112	Stonemason
342212	Technical Cable Jointer
342412	Telecommunications Cable Jointer
342413	Telecommunications Linesworker
342414	Telecommunications Technician
393311	Upholsterer
324311	Vehicle Painter
333411	Wall and Floor Tiler
322313	Welder (First Class)
394213	Wood Machinist

Attachment E: Costing Assumptions

Methodology

The regulatory burden estimates have been calculated separately for transitional and ongoing impacts.

- The ongoing component relates to changes in the regulatory burden that will be experienced in respect of future cohorts of apprentices.
- The transitional component includes temporary regulatory costs/savings: associated with an adjustment to the proposed arrangements such as decreased number of apprentices who are no longer eligible for the proposed incentives; associated with existing apprentices who are eligible to transition to the proposed arrangement; and measures with a temporary, rather than ongoing, lifespan.

The estimates include compliance related costs imposed on businesses and apprentices. They do not include costs that constitute workforce planning or that arise under the employment arrangement arising under an apprenticeship, such as the time spent in training and support.

Data underpinning the estimates has been drawn from the models used to cost the proposed arrangements, departmental apprenticeships data and estimates of the time likely to be spent/saved relative to the existing policy setting (introduction of the Australian Apprenticeships Incentives System from 1 July 2022).

The estimates do not include impacts on AASN providers, as they are a government contracted service engaged to support both the employer and apprentice to enter and undertake an apprenticeship, and to understand and avail themselves of their entitlements under the prevailing apprenticeship incentives scheme. AASNs operate in a manner that alleviates much of the compliance burden on employers and apprentices.

Table 15: Activities

Proposal	Impacted Group	Activities
New incentive structure	Employers & Apprentices	<ul style="list-style-type: none">• Business familiarisation with the changes in the incentives program.• For eligible apprentices, quarterly claiming of the wage incentive, replacing periodic claiming of existing incentives.• For ineligible apprentices, the cessation of businesses claiming for incentives.• For apprenticeships no longer commenced, removal of the business compliance costs of the apprenticeship.

Proposal	Impacted Group	Activities
		<ul style="list-style-type: none"> For apprentices, claiming of the Wage Top-Up.
Prior qualifications	Apprentices	Removal of evidentiary requirement for affected apprentices.

Differences in Regulatory Burdens

The compliance cost impacts of the elements that are common to the existing AAIP and the Reform proposals are measured in an equivalent manner. The compliance costs differ under two stages of the reform (1 July 2022 to 30 June 2024 and 1 July 2024 onwards), for the equivalent proposal, due to the different number of apprentices impacted by the proposal. The number of apprentices impacted is influenced by the commencement and retention response effects modelled under the reform policy settings.