



Australian Government
Department of Employment
and Workplace Relations

Impact Analysis Equivalent (IAE) – *Strategic Review of the Australian Apprenticeship Incentive System*

Contents

Executive Summary.....	3
1. What is the problem you are trying to solve and what data is available?	3
2. What are the objectives, why is government intervention needed to achieve them, and how will success be measured?	4
3. What policy options are you considering?	6
4. What is the likely net benefit of each option?.....	7
5. Who did you consult and how did you incorporate their feedback?	8
6. What is the best option from those you have considered and how will it be implemented? ...	8
7. How will you evaluate your chosen option against the success metrics?	9

Executive Summary

The Australian Apprenticeships proposal would tighten the focus of the apprenticeship incentive system to target investment towards apprentices in priority occupations, small and medium employers (SMEs) and Group Training Organisations (GTOs), and industries critical to delivering national priorities.

The measures in the proposal are aimed at reforming the Australian Apprenticeships Incentive System (Incentive System) and the methodology of the Australian Apprenticeship Priority List (Priority List), which underpins access to the Incentive System, in line with the findings and recommendations of the Strategic Review of the Australian Apprenticeship Incentive System (Strategic Review).

These reforms would help build a fit-for-purpose and sustainable apprenticeship system that particularly focusses on the skills pipeline needed to achieve broader Government objectives, including a Future Made in Australia, net zero targets and more homes being built.

A copy of the Final Report of the Strategic Review can be found at:

www.dewr.gov.au/download/16795/strategic-review-australian-apprenticeship-incentive-system-final-report/39422/strategic-review-australian-apprenticeship-incentive-system-final-report/pdf.

1. What is the problem you are trying to solve and what data is available?

The proposal seeks to address the fiscal sustainability of apprenticeship incentives and ensure government investment is targeted where it will be most effective in driving the uptake of apprenticeships in areas of critical skills shortages.

The settings of the Incentive System have already been adjusted in stages since 2022 to provide a clear transition away from the 50% wage subsidy which was introduced during the COVID-19 pandemic to support employers to engage and retain their apprentices through to completion. These temporary COVID-19 measures played a role in protecting the employment of apprentices during Australia's economic recovery from the initial impacts of the pandemic. However, as a broad-based measure without targeted eligibility, they came at a high cost and were not fiscally sustainable in the long term.

The Strategic Review was commissioned in 2024 to consider how effective and efficient the Incentive System is in encouraging the take up and completion of apprenticeships, and how it aligns with Australia's skills needs and the Australian Government's economic priorities and social equity objectives. It was also tasked with taking a holistic look at factors influencing apprenticeship outcomes, noting that incentives do not operate in isolation and their impact varies significantly across sectors. Some of these factors included non-financial supports provided to apprentices and employers (e.g. Apprentice Connect Australia Provider services),

community attitudes towards apprentices, workplace culture, training quality and accessibility, and systemic impediments such as data and complexity.

The Strategic Review took an evidence-informed approach to policy, with a focus on ensuring the Incentive System delivers public value. The Strategic Review and recommendations were informed by lessons learned from other reviews, evaluations of historical apprenticeship incentives programs and settings, data from across the apprenticeship system, and research literature.

The measures presented in the proposal seek to address findings from the Strategic Review by adjusting Incentive System settings to be more targeted and equitable, and by implementing structural reforms to the Priority List and the wider apprenticeship system.

2. What are the objectives, why is government intervention needed to achieve them, and how will success be measured?

The objective of the proposal is to ensure that the Incentive System and broader apprenticeship architecture can effectively deliver on the Government's critical skills pipeline, while being financially sustainable to support the long-term stability of the system. The proposal also seeks to address broader cultural and system challenges in the apprenticeship system.

The Australian Government's primary lever to encourage specific actions or behaviours in the apprenticeship system is the provision of financial support through the Incentive System, underpinned by the Priority List methodology and administered through the Apprenticeships Data Management System (ADMS). The Strategic Review identified that government decisions about incentives have an impact on behaviour in the system.

Government also convenes and funds Jobs and Skills Councils (JSCs) as a tripartite forum for addressing issues in the skills and training system that require collaboration between unions, employers and governments. The Strategic Review identified Government should leverage JSCs in addressing some of the longer-term cultural and systemic barriers it identified in the apprenticeship system.

Success of the measures will be evident in an Incentive System that ensures Government investment is targeted at the most critical occupations to meet broader Government objectives, including building more homes, achieving net zero targets and plans for a Future Made in Australia. Success will also be seen in better utilisation of existing avenues to address structural and cultural challenges.

Key Points from the Strategic Review

A revised Priority List methodology

The Strategic Review identified the Priority List as the “gateway” to the Incentive System and found its existing methodology was not fit for purpose. This proposal was developed following collaboration with key stakeholders to improve understanding of the evidence base and to seek input to a new methodology.

- The Review recommended reframing and updating the Priority List to better align with Government’s economic priorities and social equity objectives, underpinned by a transparent, evidence-based methodology.
- Consultations following the Strategic Review confirmed that the current Priority List does not adequately respond to current and emerging skills needs or regional shortages as well as national shortages. It was also apparent it does not clearly communicate eligibility to employers and apprentices.
- Under this proposal, a new methodology was recommended that:
 - Aligns incentives with Government priorities
 - Is transparent and evidence based
 - Accounts for regional skills shortages; and
 - Strengthens outcomes for First Nations apprentices and women apprentices.

This approach would create a more robust and responsive Priority List methodology that better reflects labour market pressures and improves clarity around incentive eligibility. The robust methodology is critical to continuing to ensure the Incentive System is effectively targeted and fiscally responsible into the future.

Better Targeting of Employer Incentives

The Strategic Review found that incentive effectiveness varied according to employer size.

- It recommended redirecting support to SMEs engaging apprentices in priority occupations and removing incentives from large employers.
- This recommendation responds to evidence that:
 - Large employers are generally less responsive to financial incentives
 - SMEs are more sensitive to changes in incentive settings and face greater barriers to apprenticeship engagement
 - SMEs and GTOs are critical to sustaining productivity, regional employment and delivery of the government’s housing and infrastructure priorities. For instance, over 98% of the 460,000 construction businesses nationwide are classified small or medium.
- The Strategic Review recommended replacing large employer incentives with an innovation fund to ensure large employers would continue to engage with the system.
 - This proposal does not include an innovation fund. Instead, tripartite pilots led by JSCs, which include employer representatives, would trial new ways of

improving safety and outcomes for apprentices and employers with a view to strengthening the apprenticeship system.

Targeting supports is intended to improve value for money and strengthen apprenticeship uptake in priority areas.

Addressing Structural and Cultural Barriers

The Strategic Review found that structural and cultural barriers remain prevalent across the apprenticeship system.

- It recommended addressing these barriers through an industry-based approach, delivered in partnership with JSCs.
 - This proposal aims to support industry-led solutions while strengthening system coherence and accountability.

System Capability and User Experience – Apprenticeship Data Management System (ADMS)

- The Strategic Review identified opportunities to improve system delivery through existing digital infrastructure.
- It recommended updating and maximising the capability of the ADMS to:
 - Improve delivery of the Incentive System
 - Enhance navigation and user experience for employers and apprentices
- Improved digital supports are seen as critical to increasing engagement and reducing administrative complexity, which this proposal seeks to address.

3. What policy options are you considering?

The Strategic Review made 34 recommendations. Four of these recommendations are aligned with and/or addressed through this proposal, while the related findings, research and data that informed the Strategic Review recommendations provide the broader evidence base for this proposal.

Strategic Review Recommendation	How is the recommendation addressed in the proposal?
<p>Recommendation 2.1: <i>The Australian Government aligns incentives with its economic priorities and social equity objectives and reframes the gateway to the Incentive System. Incentives to be removed from large employers.</i></p>	<p>The Priority List methodology will be revised in consultation with Jobs and Skills Australia to align with Government’s most important economic and social equity priorities. Incentives are focussed on apprentices, SMEs and GTOs in sectors critical to Government priorities, while large employers will not be eligible for incentives for apprenticeships from 1 January 2026. The proposal’s fiscal constraint reflects the sub-recommendation that the level of incentives and apprentice support have regard to the macro-economic environment.</p>

<p>Recommendation 2.7: <i>Incentives for apprentices are adjusted to help address cost-of-living pressures.</i></p>	<p>The Key Apprenticeship Program (KAP) Employer Incentive will be extended to June 2029, in line with KAP for apprentices. Employers will continue to receive \$4,000 per apprenticeship for eligible SMEs and GTOs. From 1 January 2027 employer incentives will be limited to SMEs and GTOs. Incentives for other priority occupations will continue at \$2,500 per apprenticeship for eligible employers and apprentices.</p>
<p>Recommendation 4.2: <i>Jobs and Skills Councils take a stronger role in changing workplace culture in their industries, to improve inclusivity and safety for apprentices, particularly for priority cohorts</i></p>	<p>JSC-led tripartite pilots aim to provide industry with ways to support longer-term structural and cultural change across the apprenticeship system.</p>
<p>Recommendations 4.5 and 4.6: <i>The Department maximises the existing capability of ADMS, enhancing the delivery and navigation of the Incentive System</i></p>	<p>Improvements are proposed to ADMS through in-house User-Centred Design programs to improve efficiency and usability.</p>

4. What is the likely net benefit of each option?

Under the proposal, apprentices in priority occupations, SMEs, GTOs, and critical industries will benefit from the proposal. Evidence from the Strategic Review indicates that SMEs, in particular, respond more strongly to incentives compared to larger employers. Incorporating fiscal sustainability and responsibility into the proposal mitigates risks to the Government’s future capacity to provide financial support, ensures investment is allocated where it is most needed and is responsive to inflationary pressures.

While these changes are expected to impact large employers and may reduce overall commencement numbers, targeted protections such as an extension of the KAP employer incentive for SMEs and all GTOs helps mitigate risks to apprenticeship commencements and completions in priority occupations. For instance, over 98% of the 460,000 construction businesses nationwide are classified as small or medium employers. Based on current program data, large businesses account for approximately 3.3% of all businesses with an apprentice in training (around 3,290 businesses).

Part of the savings from this proposal will support longer term cultural and system reforms including work with JSCs to improve quality, safety and completions for apprenticeships and enhancements to ADMS to improve digital services and the user experience.

Further, large employers will remain supported in other key areas. They will continue to access to the Disability Australian Apprentice Wage Support (DAAWS) payment and non-financial assistance delivered by Apprentice Connect Australia Providers. They will also retain access to the benefits of using an apprenticeship pathway, including structured industry-led qualifications and access to training wages. Eligible apprentices employed by large employers will continue to access apprentice incentives and support loans.

While the revision to the Priority List will tighten eligibility for incentives, those who will benefit most under the revised methodology include apprentices working in areas of the Government's social and economic priorities, including women and First Nations apprentices, and those meeting critical housing, net zero and Future Made in Australia priorities.

5. Who did you consult and how did you incorporate their feedback?

The Strategic Review was conducted in 2024 and undertook an extensive consultation process:

- 600 stakeholders across 90 engagements, including apprentices, employers, industry, unions, state and territory governments and Jobs and Skills Councils.
- 145 written submissions and undertook 7 site visits.

The Strategic Review's findings and recommendations were informed by these consultations, including information provided by SMEs, GTOs and large employers.

In response to the Strategic Review findings, the Department published an additional discussion paper and undertook additional public consultations in 2025 on the revised methodology for the Priority List to help understand how to best reform the list and its methodology. Stakeholder input was significant and included:

- Over 125 written submissions from a range of stakeholders including industry bodies, registered training organisations, state and territory governments, peak associations, and individual contributors.
- Eight roundtable discussions across key stakeholder groups. These roundtables provided an opportunity for an in-depth, guided dialogue on a proposed methodology and its potential implications, and allowed stakeholders to share insights, raise concerns, and respond to the questions raised in the discussion paper.
- 7 follow-up bilaterals with key stakeholders, such as state and territory governments and First Nations advocacy groups.

The reforms in this proposal reflect the outcomes of these consultations.

6. What is the best option from those you have considered and how will it be implemented?

Please refer to the response at Question 3 above regarding the options being pursued based on key recommendations from the Strategic Review. In the discussion on Incentive System settings at pages 48-134 of the Strategic Review's final report, the Reviewers explored a range of different eligibility and timing options for targeting incentives proposed by

stakeholders and considered in academic literature and comparative international approaches. Ultimately, the Reviewers identified an Incentive System that targeted investment where it is most efficient and effective (apprentices and SMEs), underpinned by a Priority List methodology better aligned to government social and economic priorities, would be optimal.

The Priority List and Incentive System settings agreed would be implemented through updates to ADMS, as well as updates to program guidelines and the apprenticeships.gov.au website to communicate the changes.

JSC-led pilots will be implemented in consultation with key JSC's, while improvements to ADMS will be implemented through in-house User-Centred Design programs to improve efficiency and usability.

7. How will you evaluate your chosen option against the success metrics?

The Department of Employment and Workplace Relations monitors apprenticeship commencements and completions, businesses employing apprentices, and the value and distribution of government financial incentives paid to both employers and apprentices. Performance against these metrics would be assessed by tracking trends over time, comparing outcomes to baseline data, and identifying any divergence from expected behavioural or fiscal impacts.

This would be actioned by utilising ADMS, the department's IT system, which manages all stages of an apprenticeship, including administration of training contracts, direct payment of financial incentives and support payments to apprentices. The existing capability of ADMS ensures that the department can definitively monitor how reforms are impacting apprenticeship commencements, completions, and the claiming of incentives.

Evaluation would also consider the timeliness and accuracy of payments, employer and apprentice uptake patterns, and any emerging risks or unintended consequences observed through administrative data and stakeholder feedback. Together, these indicators provide a comprehensive view of whether the measures are delivering the intended policy outcomes and would support early adjustments if required.

JSC pilot evaluations will be developed at the inception of each project, with clear success markers against each measure.

Improvements to ADMS efficiency and usability will be evaluated against the success measure by comparing pre- and post-implementation user evidence for ADMS efficiency and usability. Performance against the success measure will be demonstrated where post-implementation results show measurable improvement against the baseline, providing a consistent, evidence-based assessment of whether the chosen option has delivered improved efficiency and usability.