



Australian Government

Department of Education, Science and Training

Skills at work

Evaluation of New Apprenticeships

Summary Report

December 2004

**Skills Analysis and Research Strategy Branch
Strategic, Analysis and Evaluation Group**

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1. INTRODUCTION

This is the summary report of *Skills at work* - the evaluation of New Apprenticeships. The evaluation was completed at the end of October 2004. This summary report presents the key findings from the evaluation.

1.1 Background to the evaluation

New Apprenticeships is a national system of training that officially began on 1 January 1998. They represent a major reform and modernisation of the arrangements for entry level training (previously separate apprenticeship and traineeship systems). Currently there are in the order of 400,000 people engaged in New Apprenticeships, an increase of over 200,000 people since their introduction in 1998. New Apprenticeships now represent more than 4% of the workforce.

In the 2002-03 Budget the Government announced a review of the New Apprenticeships Incentives Programme, which was completed in September 2002. As a result of this review, new incentive arrangements have been in place since July 2003. The Government agreed that it would undertake a broader evaluation of New Apprenticeships after the New Apprenticeships Support Services contracts with New Apprenticeships Centres for 2003-2006 were established.

Terms of reference

The terms of reference for the evaluation were:

1. the extent to which the training provided to New Apprentices is relevant to industry need and of high quality;
2. the extent to which New Apprenticeships improve employment outcomes such as retention and long-term career prospects;
3. the effectiveness of the incentives regime in increasing training and improving the skills of the Australian workforce to deliver long-term benefits to industry and improve Australia's international competitiveness;
4. the effectiveness of New Apprenticeships Centres in administering the incentive regime on behalf of the Commonwealth; and
5. the extent to which the operation of New Apprenticeships has affected training expenditure through an analysis of trends in Government and industry expenditure on New Apprenticeships.

The evaluation was designed to examine the effectiveness of New Apprenticeships from an Australian Government perspective and compares arrangements before and after the introduction of New Apprenticeships. The methodology for the evaluation involved the analysis of publicly available data, particularly from the National Centre for Vocational Education Research (NCVER), existing programme monitoring data, and data held in the Department's management information system, Training and Youth Internet Management System. Additional data was also collected from targeted surveys undertaken by the Social Research Centre, the *Survey of New Apprenticeship Outcomes Survey 2003-2004*, the *Survey of Long Term New Apprenticeship Outcomes 2004* and the *Survey of employers regarding their satisfaction with the performance of New Apprenticeships Centres (2004)*.¹

A Steering Committee chaired by the Department of Education, Science and Training (DEST), was established to oversee the evaluation. The Steering Committee included officials from the Department of Finance and Administration, The Treasury, Prime Minister and Cabinet, and the Department of Employment and Workplace Relations. The Skills Analysis and Research Strategy Branch within DEST conducted the evaluation.

¹ This research was specifically commissioned by DEST to inform major aspects of the evaluation and performance of the New Apprenticeship Centres. These reports are not able to be released due to respondents' privacy issues.

1.2 Summary of Findings

Overall the evaluation found that New Apprenticeships have been very successful in increasing participation in structured training, in particular opening up new and more flexible opportunities across occupations and industries that have not had a history of structured training. The evaluation identified growth in New Apprenticeships as being highly responsive and relevant to industry need.

The evaluation also showed that in terms of structural change, there is now a greater spread of occupations employing New Apprentices and increased participation in training at higher skill levels - New Apprenticeships are now available in more than 500 occupations, reflecting more closely the structure of the current workforce. Incentives have proven to be a very effective lever in increasing participation in training.

Employment outcomes were found to be very strong with equally strong prospects of ongoing employment. Many individuals were shown to have made a transition from temporary or casual employment to permanent and full-time employment while many others gained employment after being unemployed or not in the labour force.

Overall the Australian Government contribution to New Apprenticeship training is matched by a strong financial commitment from States and Territories and by industry and there is little evidence of cost shifting between employers and Government. There is insufficient evidence to form a conclusion on cost shifting between levels of Government.

1.3 Future Directions

While findings from the evaluation show New Apprenticeships have been very successful in achieving the Australian Government's objectives there are a number of areas where further examination is required and a number of areas which are of policy interest which were outside the scope of the evaluation to consider, which are worthy of further investigation.

Further examination could be undertaken on how growth in New Apprenticeships, especially in the traditional trades, has related to the demand for skills in the economy particularly in areas of skill shortage. Examination could be given to what impact the structure and application of incentives has on addressing this issue or how incentives might be better structured.

Further work needs to be undertaken to establish the benefits of New Apprenticeships to existing workers and to investigate whether there might be alternate or better pathways to the acquisition of skills for this group.

Investigation into the reasons for non-completion, especially in shorter duration New Apprenticeships needs to be undertaken, and whether non-completion reflects on the quality of training provided.

There is a need to gather more information in order to better understand how the range of State and Territory incentives is delivered, their level and application and how they interact with Australian Government incentives.

Limited information was gathered on the level and application of user choice funding. Clearly this is a key aspect of the flexibility in the current system and one which needs to be further assessed in terms of the benefits it is delivering to employers.

2. KEY FINDINGS

The following sections describe the key findings from the evaluation.

2.1 Changes in Participant Characteristics

Gender

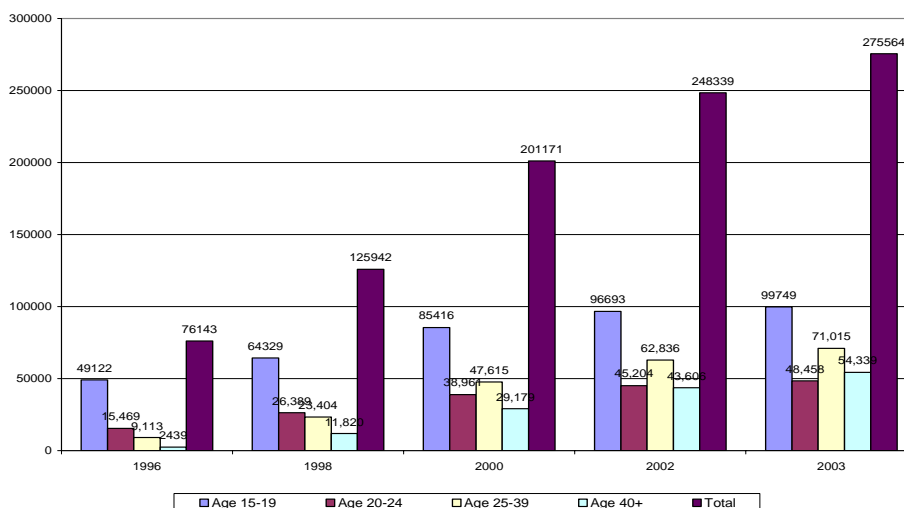
The evaluation found that there has been a significant shift in the gender balance of those undertaking New Apprenticeships.

Historically apprenticeship style training was male dominated, with most of these males undertaking their training in the trades and related occupational areas. Since the introduction of New Apprenticeships and the opening up of training opportunities, the proportion of commencements who are female has increased from 30% in 1996 to around 45% by 2003 and females have increased their share of total numbers in-training from 19% to 37% over the same period. In comparison with males, females undertook a higher proportion of Certificate I and II level courses and generally undertook a higher proportion of shorter duration contracts than males.

Age

The introduction of New Apprenticeships has led to a noticeable change in the age profile of participants. In 1996, 15% of commencements were aged 25 and above and only 3% were aged 40 and over. By 2003, more than 46% of commencements were aged 25 and over and 20% were aged 40 and above. As can be seen in figure 1, while absolute numbers of commencements have increased across age groups, the proportionate increase has been much greater in the older age groups.

Figure 1: New Apprenticeship commencements (12 months ending) by age group², 1996 to 2003



The effect of this large increase in commencements among older New Apprentices has been to increase the share of New Apprentices in-training and aged 25 to 39 year olds from just over 9% in 1996 to around 25% in 2003 and to increase the share of people aged 40 and over from 2% in 1996 to 20% in 2003.

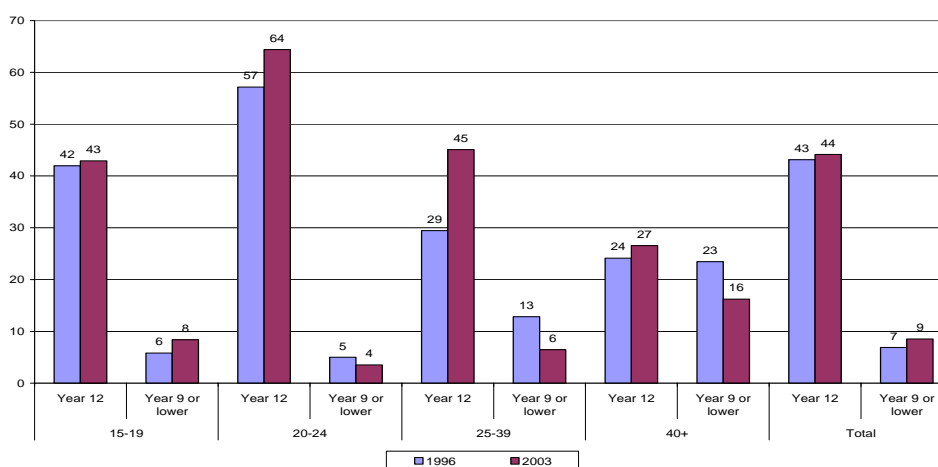
² The very small number of commencements recorded as aged 14 or less have been included in the 15-19 age category.

Previous Schooling

Overall there has been little change in the level of schooling obtained by New Apprentices prior to commencement. More than 44% have obtained Year 12 and more than 9 in 10 have at least obtained Year 10 qualifications.

However, as highlighted by figure 2, older New Apprentices, in particular, those aged 40 and above are much less likely to have obtained Year 12 qualifications prior to commencement. People aged 40 and above are also more likely than other age groups to have Year 9 or below as their highest qualification. This highlights the strong impact New Apprenticeships has had in opening up training to people with little prior formal education.

Figure 2: Per cent of New Apprenticeship commencements (12 months ending) by highest school level and age group, 1996 and 2003



Indigenous people & people with a disability

While the number of indigenous commencements has more than doubled between 1996 and 2003 (from 3,000 to 6,880), because of the strong growth among non-indigenous people, their share of commencements has fallen over the same period from more than 4% to around 2.5%.

Similarly, while commencements for people with a disability increased from 1,300 in 1996 to more than 3,000 in 2003, their share of commencements declined from more than 1.6% in 1996 to around 1% in 2003.

2.2 Changes in Structural Characteristics

The apprenticeship and traineeship system has undergone significant structural change with the introduction of New Apprenticeships.

Since the introduction of New Apprenticeships, there has been a significant increase in the spread of occupations and industries that provide apprenticeship style training. This expansion has been predominantly in the intermediate clerical, sales and services area that account for the greatest proportion of all commencing New Apprentices.

There are also more people undertaking New Apprenticeships at higher qualification levels than previously. The number of people commencing a New Apprenticeship at AQF Certificate levels I and II has declined to around one-quarter of all commencements (from 40%), while those commencing a Certificate III level qualification now account for around two-thirds (66%) of all commencements. This change appears to be a direct result of changes to incentives aimed at encouraging progression to higher qualification levels.

Flexibility

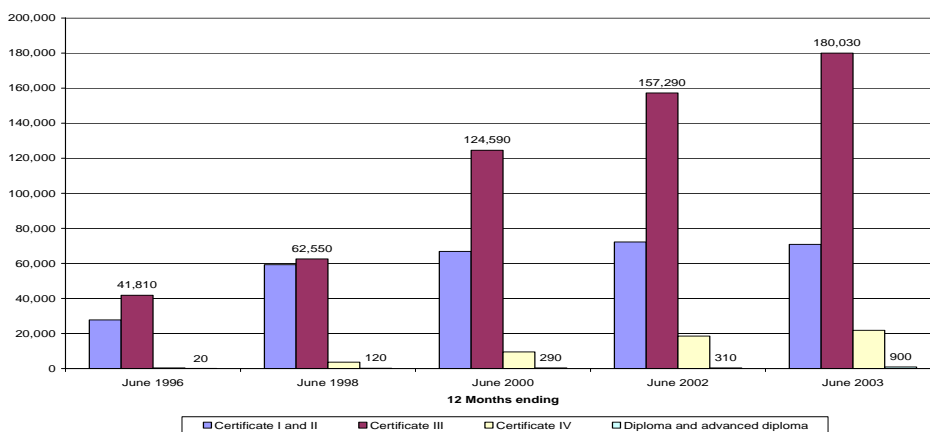
Under New Apprenticeships, employers and New Apprentices have the flexibility to tailor the New Apprenticeship to suit their needs through customising Training Packages. Amongst other things, this flexibility includes being able to undertake New Apprenticeships on either a full-time or part-time basis or while still attending school, combining study, work and training. This increased flexibility has seen the proportion of New Apprenticeships undertaken on a part-time basis increase from 2% in 1996 to 24% in 2003 and school based New Apprenticeships now represent 4.3% of all commencements.

Qualification Level

As shown in figure 3 the majority of the growth between 1996 and 2003 has been at the AQF Certificate III level. In 1996, 39.8% of commencements were at the AQF Certificate I or II levels, 59.8% of commencements were at the AQF Certificate III level, while the remainder (0.4%) were at AQF Certificate IV level. There were negligible numbers of commencements at the diploma or advanced diploma levels.

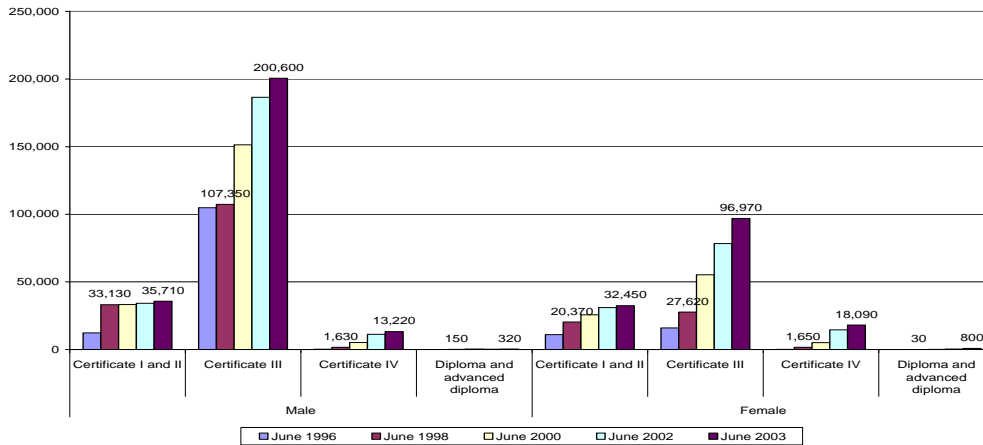
By 2003, the proportion of commencements at the AQF Certificate I or II level had decreased to 25.9% (Certificate I accounted for less than 1%), with corresponding increases in AQF Certificate III level (65.8%), Certificate IV (8.0%) and 0.3% at the diploma and advanced diploma levels.

Figure 3: New Apprenticeship commencements (12 months ending) by qualification level, 1996 to 2003



As shown in figure 4, for both males and females the growth in numbers in-training over the period 1996 to 2003 has been strongest at the AQF III level. However while growth at the Certificate I and II level has remained static for males, it has increased strongly for females. Females show higher growth at the AQF Certificate IV level than males.

Figure 4: New Apprenticeships in-training by qualification and sex, 1996 to 2003

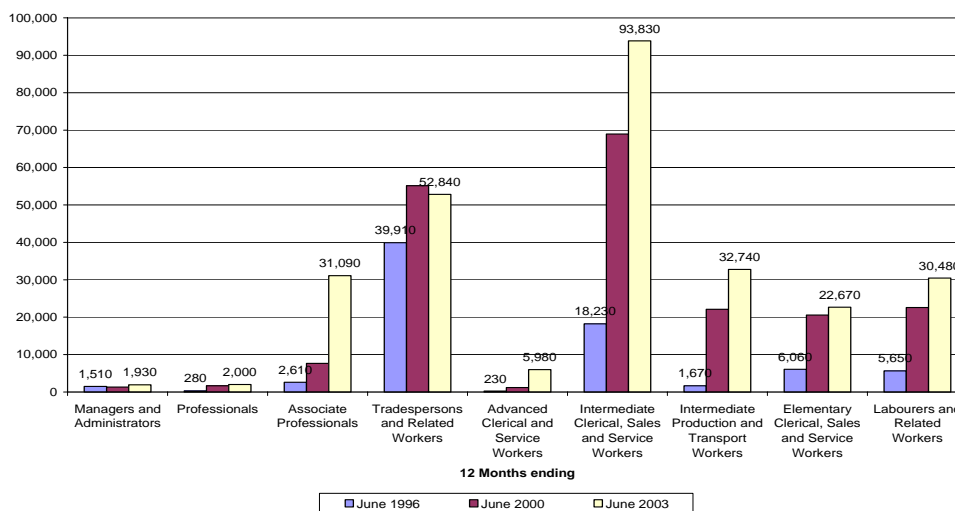


Source: New Apprenticeship collection, NCVER, September quarter 2003.

Occupational Distribution

The evaluation found that there has been good success to date in expanding New Apprenticeships into occupations that have not traditionally supported this type of training. As can be seen from figure 5, in 1996 over half of commencements were for Tradespersons and Related Workers. By 2003, commencements were dominated by Intermediate Clerical, Sales and Service Workers. Commencements in Associate Professional occupations have grown from very few in 1996 to be one of the largest groups in 2003, along with Intermediate Production and Transport Workers, Elementary Clerical, Sales and Service Workers and Labourers and Related Workers.

Figure 5: New Apprenticeship commencements (12 months ending) by occupation, 1996, 2000 and 2003



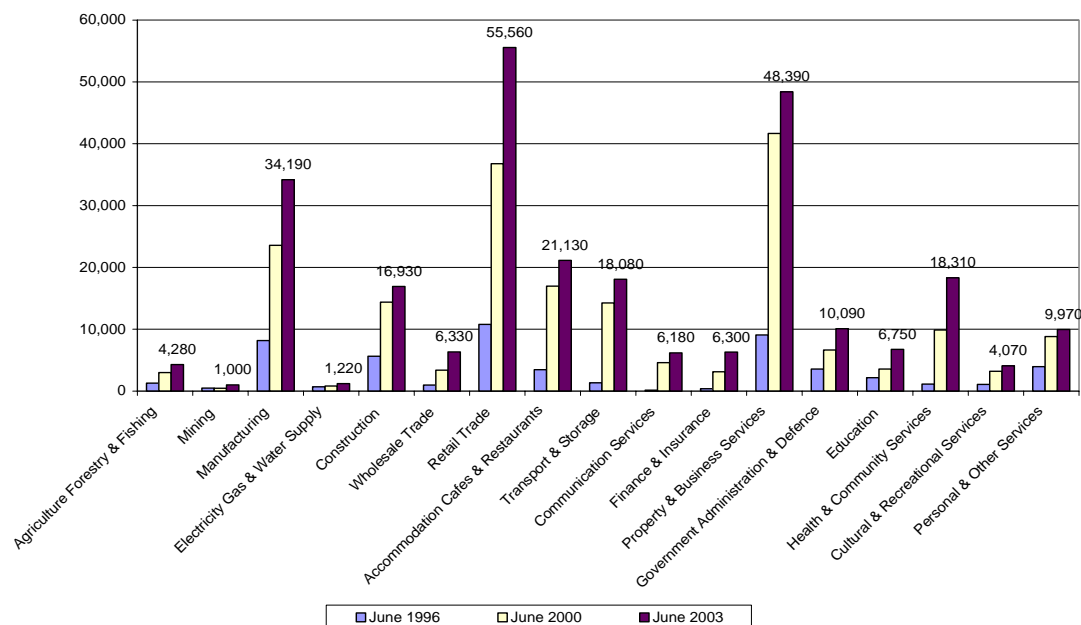
Source: New Apprenticeship collection, NCVER, September quarter 2003.

These trends have also contributed to significant increases in the share of the workforce engaged in a New Apprenticeship. While the highest proportion of people undertaking a New Apprenticeship continues to be for Tradespersons and Related Workers, the proportion of the workforce engaged in a New Apprenticeship has increased significantly for Associate Professionals (2.9%), Intermediate, Clerical, Sales and Service Workers (6.6%), Intermediate Production and Transport Workers (6.3%) and Labourers and related workers (4.0%). Overall the proportion of the total workforce undertaking a New Apprenticeship has increased from 1.9% in 1996 to around 4% in 2003.

Industry

The reforms introduced to the training system with the introduction of New Apprenticeships were designed to stimulate the expansion of New Apprenticeships into all industries. As shown in figure 6, while New Apprenticeships can be found across all industry groups, they are concentrated in Manufacturing, Retail and Property and Business Services.

Figure 6: New Apprenticeship commencements (12 months ending) by industry, 1996, 2000 and 2003



Source: New Apprenticeship collection, NCVER, September quarter 2003.

Note: Caution should be used when interpreting the information at the industry level, as up until recently there was a high proportion of missing or unknown data. For instance, in 1996 30% of the total number of commencements could not be allocated to an industry.

Duration

The introduction of New Apprenticeships has seen a significant increase in the length of training undertaken. In 1996, 48% of training was for one year or less. By 2003, three quarters of training was between one and four years duration.

Traditional New Apprenticeships

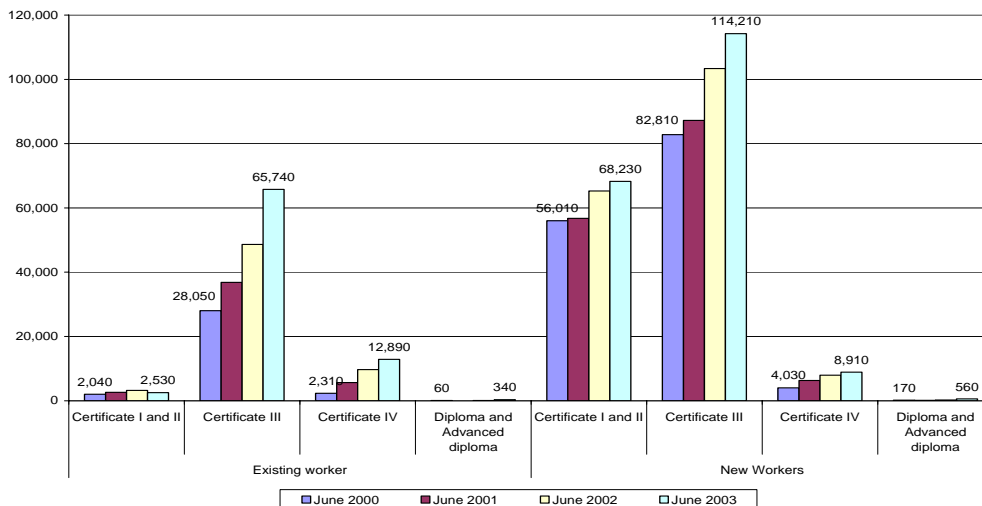
Due to the growth in New Apprenticeships outside the traditional trades their share of commencements has fallen from 25% in 1996 to around 13% in 2003. They continue to be a significant pathway, particularly for young people with more than one in three teenagers in full-time employment undertaking a New Apprenticeship in a Trade.

Existing Workers

Since the introduction of New Apprenticeships there has been a significant increase in the proportion of commencements who were already employed, known as existing workers (an existing worker is an employee who has been employed by that employer for 3 months full-time or 12 months part-time).

The share of commencements who are existing workers increased from 18% in the 12 months to June 2000 to around 30% in the year to 30 June 2003. The Government made changes to incentives for existing workers in May 1999 to encourage higher level, longer-term training of existing workers. As shown in figure 7 the policy appears to have succeeded with a higher proportion of existing workers undertaking training at the AQF Certificate III and IV level.

Figure 7: New Apprenticeship commencements (12 months ending) by existing worker status and qualification, 2000 to 2003



Source: New Apprenticeship collection, NCVER, September quarter 2003.

Participation across States/Territories and Region

The majority of New Apprenticeship commencements come from three States (NSW, Victoria and Queensland) and two thirds of New Apprenticeship commencements are located in a capital city. This concentration has not altered markedly since the introduction of New Apprenticeships.

2.3 Relevance of New Apprenticeships to Industry

Across several chosen indicators: expenditure on training; acquisition of qualifications and competencies; satisfaction with training and; employment outcomes, New Apprenticeships were found to deliver relevant, quality training in accord with industry need.

As shown in table 1, firms with New Apprentices spend on average more than five and a half times as much on training as firms without New Apprentices. The expenditure pattern is consistent across industry. There is a greater difference in expenditure between smaller firms with New Apprentices and those without in comparison with larger firms. This indicates the importance of New Apprenticeships to firms who do not have access to large in-house training infrastructure.

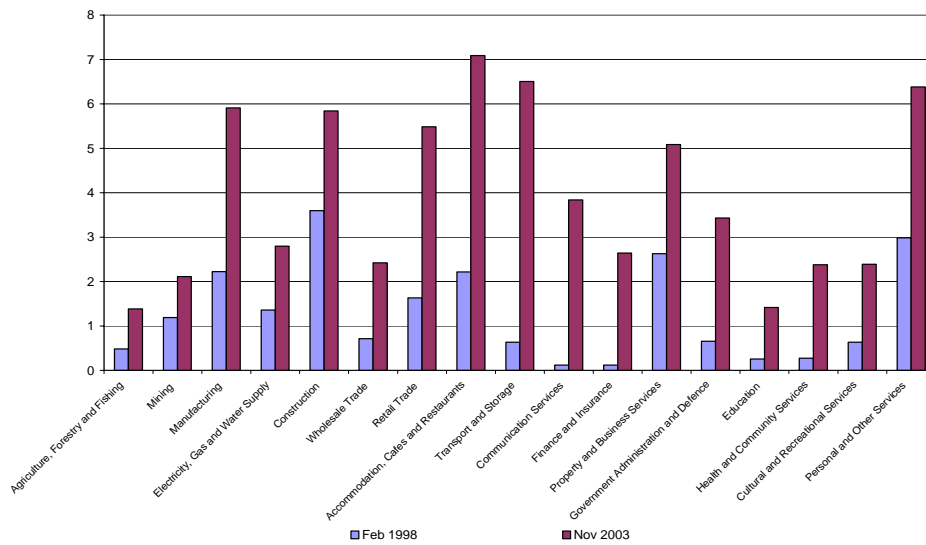
Table 1: Comparison of training expenditure by firms with and without New Apprentices, by state, 2001-02

	Gross direct training expenditure per firm (\$000)	Subsidies and/or grants and payments per firm (\$000)
Firms with New Apprentices	21.2	3.3
Firms without New Apprentices	3.7	0.1

Source: ABS Training Expenditure and Practices Survey, catalogue 6362.0, 2001-02, unpublished data

A measure of the acquisition of skills and competencies is the proportion of the workforce undertaking a New Apprenticeship and the level of completion. The proportion of the workforce engaged in a New Apprenticeship has increased from 1.5% in 1998 to 4.4% in 2003. As shown in figure 8, this trend is evident across all industries.

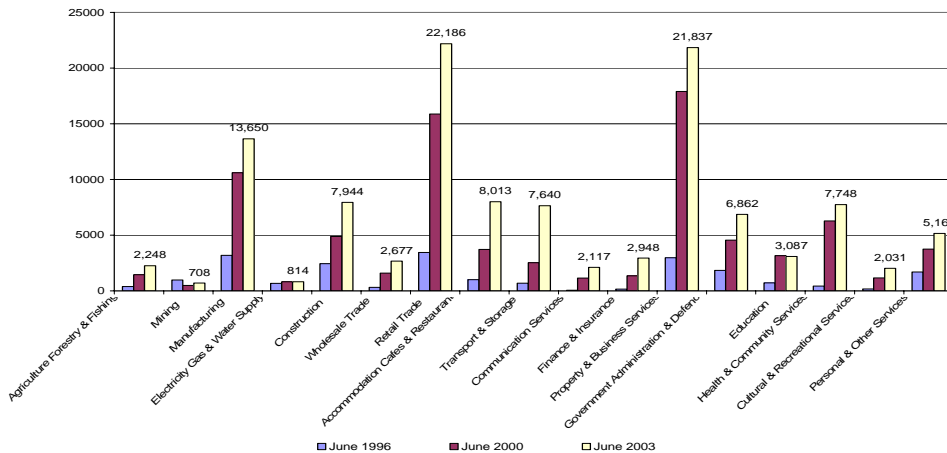
Figure 8: Change in the proportion of New Apprentices to employed persons, by industry, end February 1998 compared to end November 2003



Sources: ABS Labour Force Survey, electronic catalogue 6291.0.55.001, May 2004; the Department Training & Youth Internet Management System (TYIMS) administrative data

As shown in figure 9, there has also been an increase in the number of New Apprentices completing across industry, showing that the increased participation has translated into an increase in the acquisition of qualifications.

Figure 9: New Apprenticeship completions (12 months ending) by industry, 1996, 2000 and 2003



Source: New Apprenticeship collection, NCVER, September quarter 2003.

Note: Caution should be used when interpreting the information at the industry level, as up until recently there was a high proportion of missing or unknown data. For instance, in 1996 35% of the total number of completions could not be allocated to an industry.

The completion rates for New Apprenticeships with durations of two years or more are on average around 75%. The lower completion rates (around 1 in 2) for New Apprenticeships of shorter duration require further investigation into whether it reflects a difference in quality.

Evidence suggests that overall employers are very satisfied with the training provided through New Apprenticeships. More than nine in ten employers were satisfied overall with New Apprenticeships and would recommend New Apprenticeships to other employers. More than eight in ten were satisfied with the relevance and quality of the off-the-job training, the majority commented favourably on the Vocational Education and Training system and, the majority were very satisfied with a range of generic skills developed by New Apprentices. These findings were consistent across industry.

Most employers (more than nine in ten) also reported satisfaction with the role played by New Apprenticeships Centres in handling the administrative aspects of taking on New Apprentices and in understanding the needs of their business.

2.4 Outcomes of New Apprenticeships

The evaluation found that completion rates for New Apprentices at around 60%³ are not dissimilar to completion rates for university students (64%⁴). Completion of a New Apprenticeship was found to lead to a very strong employment outcome. As shown in Table 2, more than nine in ten people who completed a New Apprenticeship had a job three months later, ten to fifteen percentage points higher than people who did not complete. There is also a strong likelihood of remaining with the same employer, with more than eight in ten remaining with their employer.

Table 2: Employment and Further Education Outcomes for New Apprentices after 3 months, September and December quarter 2003

	September Quarter			December Quarter		
	Completers	Cancelled	Withdrawn	Completers	Cancelled	Withdrawn
	%	%	%	%	%	%
Employed	90.9	75.9	70.0	91.9	79.7	66.4
Same Employer	84.3	49.6	31.0	81.6	51.2	27.0
Further Study	13.5	13.5	14.5	19.0	17.3	20.0
Employed or Study	91.9	79.8	75.6	93.3	85.3	75.5

Source: Survey of New Apprenticeship Outcomes 2003-2004, DEST

As shown in table 3, these outcomes are maintained in the longer term, with more than nine in ten remaining employed after twelve months. A lower proportion has remained with their employer (66%) indicating greater mobility in the longer term.

Table 3: Employment and Further Education Outcomes for New Apprentices after 12 months

	Completers	Cancellations & Withdrawals
	%	%
Employed	92.2	80.8
Same Employer	66.5	35.1
Further Study	15.9	19.5
Employed or Further Study	94.5 ⁵	85.8

Source: Survey of Long Term New Apprenticeship Outcomes 2004, DEST

Employment outcomes are generally consistent across most groupings of New Apprentices apart from the group known as existing workers. The opening up of New Apprenticeships has seen significant growth among this group who by definition are likely to already be in permanent full-time employment prior to commencement. Because of this, as can be seen in table 4, existing workers do not gain the same employment benefit as other New Apprentices. Not only are existing workers likely to be employed prior to commencement, they are also likely to be in permanent, full-time and skilled jobs. This made measuring the employment benefits accruing to existing workers difficult.

³ Unpublished NCVET data referred to in 13 March edition of Insight

⁴ *Undergraduate Completion Rates: an update*, DEST, 2001

⁵ Employed or Further Study is not the sum of Employed and Further Study because some people will be employed and studying at the same time.

Table 4: Employment outcomes for Existing Workers

	3 months after (Dec Qtr)			12 months after	
	Completers	Cancelled	Withdrawn	Completers	Cancelled & Withdrawn
	%emp	%emp	%emp	%emp	%emp
<i>Existing Workers</i>					
Employed	93.7	89.8	87.8	95.6	90.4
Same Employer	93.7	76.0	58.1	85.9	57.0
<i>All Other</i>					
Employed	89.8	72.9	62.9	90.7	77.8
Same Employer	75.2	30.5	20.0	57.7	27.1

Source: December quarter, Survey of New Apprenticeship Outcomes 2003-2004 and Survey of Long Term New Apprenticeship Outcomes

However, the growth in existing worker commencements has been increasingly at the Certificate IV level and in industries who have not traditionally taken on New Apprentices. Existing workers are also much less likely to have undertaken year 12 than other New Apprentices, often meaning New Apprenticeships represents their first real taste of formal education. Existing workers also reported strong benefits in terms of increased job security, employment prospects and felt that New Apprenticeships had been instrumental in helping them change jobs or occupations.

Completion of a New Apprenticeship leads to a net increase in employment which is not evident for those who fail to complete. The proportion of completers in employment rose from 86.8% prior to commencement to 92.2%, twelve months after completion.

The net increase in employment impacts most strongly on those people who were either unemployed or not in the labour force (NILF) prior to undertaking their New Apprenticeship. This is highlighted in table 5.

Table 5: Change in labour force status of New Apprentices before and 12 months after training

After New Apprenticeship	Before New Apprenticeship		
	Employed	Unemployed	NILF
<i>Completers</i>			
Employed	93.3	80.9	88.8
Unemployed	3.6	11.4	3.6
NILF	3.1	7.7	7.6
<i>Cancelled and Withdrawn</i>			
Employed	83.95	65.4	64.2
Unemployed	9.00	27.0	19.8
NILF	7.06	7.5	16.0

Source: Survey of Long Term New Apprenticeship Outcomes 2004, DEST

New Apprenticeships were also found to lead to strong transitions from casual and part-time work to permanent and full-time work. The proportion of completers employed permanently rose from 62.6% prior to commencement to 74.3% twelve months after completion and the proportion of completers employed full-time rose from 55.3% prior to commencement to 64.6% 12 months after completion.

Over half of the people who completed a New Apprenticeship felt they were working under less supervision twelve months after completion. Only one in three people who failed to complete felt the same. A significant proportion of New Apprentices who completed felt that undertaking a New Apprenticeship had contributed to increased job mobility and more secure employment: six in ten felt it helped them change employers; four in ten felt it helped them change occupations; seven in ten felt it improved their job security and; eight in ten believed it improved their employment prospects.

Employment results are strong across all industry groups, with the proportion of New Apprentices employed 12 months after completing ranging from around 86% through to 100% across industry groupings. Given the small number of respondents in some of these industry groups, and the natural variability of sample results, the employment outcomes suggest that results are not very dissimilar across industry groups. These results are highlighted in table 6.

Table 6: New Apprentices employed before and 12 months after training by industry, excluding Existing Workers

Industry	Completers			Cancelled and Withdrawn		
	Employed before %	Employed After %	Change	Employed before %	Employed After %	Change
A Agriculture Forestry	83.4	95.2	11.8	81.4	83.3	1.9
B Mining	76.1	100.0	23.9	72.0	100.0	28.0
C Manufacturing	80.4	91.2	10.8	84.0	70.9	-13.1
D Electricity Gas and Water	82.2	100.0	17.8	93.1	95.7	2.7
E Construction	79.9	94.1	14.3	75.2	86.6	11.4
F Wholesale Trade	75.8	97.7	21.9	84.6	88.7	4.1
G Retail	86.1	87.9	1.8	79.0	78.6	-0.3
H Accommodation Cafes	84.5	85.8	1.3	78.2	74.6	-3.6
I Transport and Storage	91.0	96.6	5.6	84.7	91.9	7.2
J Communication Services	87.7	92.5	4.8	75.2	83.1	7.9
K Finance and Insurance	92.6	95.9	3.4	81.3	85.7	4.4
L Property and Business	80.7	86.8	6.1	74.5	67.9	-6.5
M Government Admin	72.2	86.7	14.5	76.2	70.0	-6.1
N Education	83.8	96.4	12.6	70.7	93.3	22.6
O Health and Community	85.3	91.1	5.7	76.9	73.1	-3.8
P Cultural and Recreation	68.3	89.9	21.6	78.1	79.9	1.9
Q Personal and Other	83.5	94.1	10.5	77.8	72.1	-5.7
All	82.4	90.7	8.3	78.7	77.8	-0.9

Source: Survey of Long Term New Apprenticeship Outcomes 2004, DEST

There was some evidence that in the short term employment outcomes for 15 to 19 year olds, non-traditional Apprentices and those employed by Group Training Organisations were slightly lower than other New Apprentices. However in the longer term these differences become negligible.

2.5 Effectiveness of New Apprenticeships Incentives programme and its administration by New Apprenticeship Centres

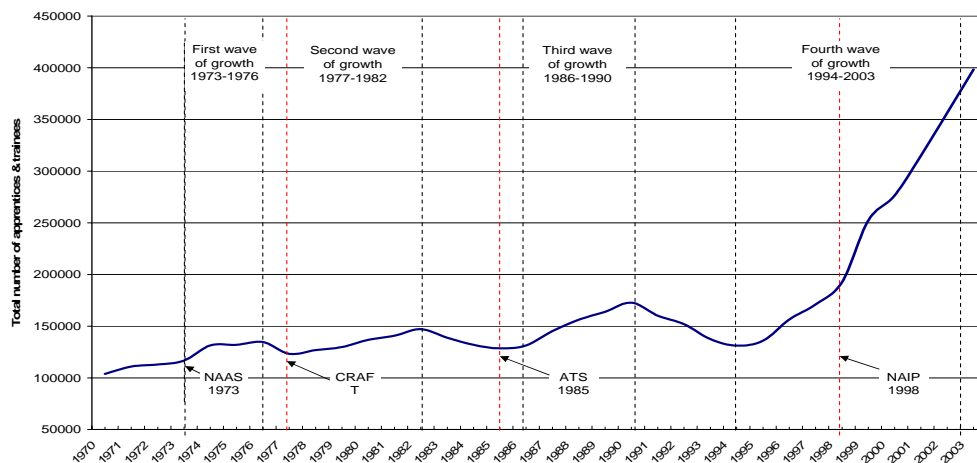
The Australian Government provides financial incentives to employers to encourage them to take on New Apprentices and to encourage them to keep them on until they complete their training. This is supported by additional incentive payments which are made to achieve particular outcomes, such as encouraging employment and training in priority areas and industries. The growing importance of these 'additional incentives' is demonstrated by their increasing share in total incentive expenditure.

The evaluation examined some of the most significant changes to incentives and considered what effect they had on participation in New Apprenticeships. Three major changes to incentive payments were examined in detail. These were the Rural and Regional Skill Shortage Incentive; the School Based New Apprenticeships Incentive and the Innovation Incentive. The evaluation also considered the effectiveness of the New Apprenticeships Centres in administering the incentives.

Impact of Policy Changes

As shown in figure 10 periods of rapid growth in the number of people undertaking apprenticeships and traineeships has historically been associated with significant policy changes. These policy changes have typically included significant changes in the application of financial incentives.

Figure 10: Periods of Growth in Apprenticeships, Traineeships and New Apprenticeships, 1970-2003



Sources: DEIR (1986); DETYA (1990) NCVER (1998); NCVER (2000a); NCVER (2000b); NCVER (2003) and unpublished data

Since 1970, four significant waves of growth in apprenticeship numbers have occurred. The first wave of growth occurred at the same time as the introduction in 1973 of the inaugural national scheme which provided subsidies for employers to take on apprentices. The second wave of growth occurred following the introduction in 1977 of an enhanced comprehensive national employer incentive scheme, the Commonwealth Rebate for Full-time Training. The third wave of growth followed the recession of the early 1980s and corresponded with the introduction of the Australian Traineeship System in 1985. The fourth and greatest wave of on-going growth accompanied the integration of apprenticeships and traineeships under the New Apprenticeships system in 1998. This change was supported by the New Apprenticeships Incentives Programme, administered by New Apprenticeships Centres. The most recent changes stemmed from the Review of the New Apprenticeships Incentives Programme in 2002.

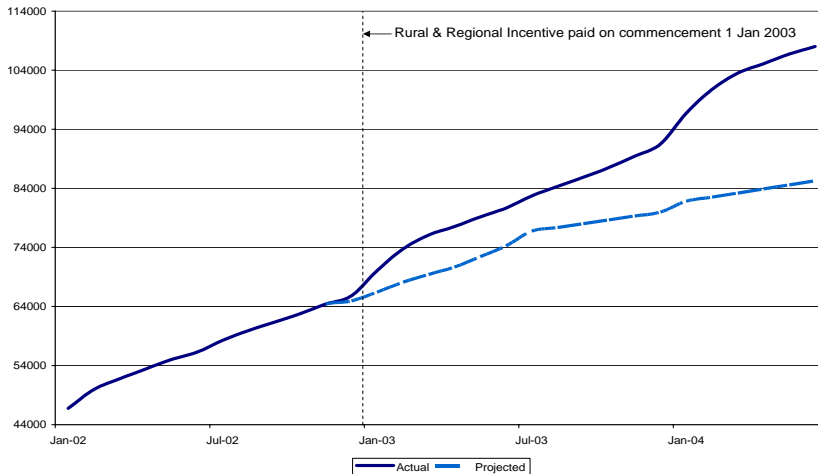
It is not possible to separate the effects of policy change with the effects of periods of employment growth, structural change in industry and other factors such as changes to State based exemptions and concessions.

Rural and Regional Skill Shortage Incentive

The Rural and Regional Skill Shortage Incentive (\$1,100 paid at commencement) promotes the take up of New Apprenticeships in non-metropolitan areas. The incentive is paid to employers taking on New Apprentices in qualifications identified as being in skill shortage either nationally or in the given State or Territory. From 1 January 2003 changes were made to the timing of the payment of this incentive making employers eligible to receive the payment when their New Apprentice commenced their training.

Figure 11 below shows that in the absence of any change in incentive arrangements, commencements in eligible rural and regional skill shortage qualifications would have been much lower than the level they have reached. This provides evidence that the change in the timing of the incentive had an immediate impact on the number of New Apprentices commencing training in a rural and regional skill shortage occupation.

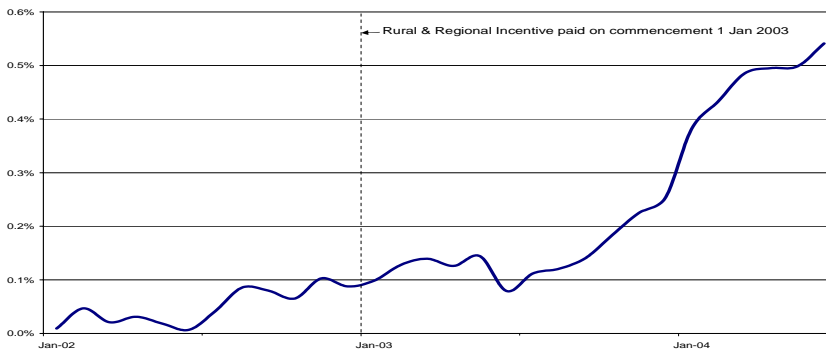
Figure 11: Actual and Projected Rural and Regional Commencements by Month, January 2002 - June 2004



Source: TYIMS, 2004

This is further illustrated by figure 12 which shows the difference in the rate of growth of commencements between those eligible for the Rural and Regional Incentives and rural and regional commencements in general. Growth has taken place at a greater rate than that of commencements generally, despite ongoing drought throughout most of the period.

Figure 12: Difference in Growth Rate Between “Eligible Rural and Regional Incentive” Commencements and “General Rural & Regional” Commencements, January 2002 – June 2004



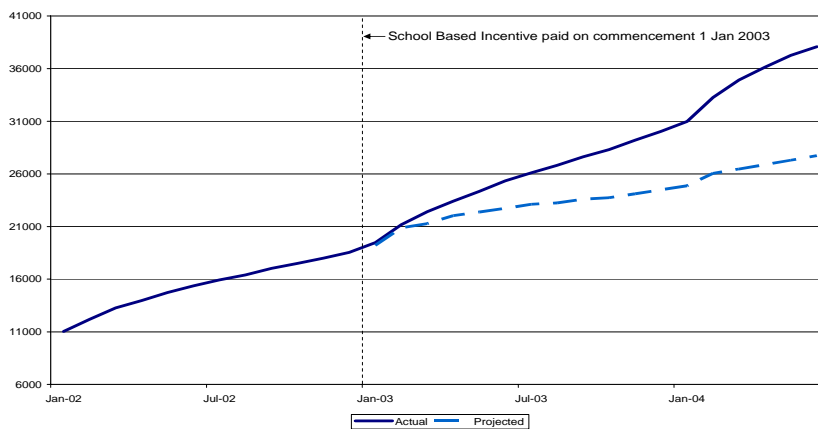
Source: TYIMS, 2004

School Based New Apprenticeships Incentive

The additional School Based New Apprenticeships Incentive which commenced on 1 January 2003, was introduced to encourage employers to take on school based New Apprentices (an additional \$825 provided at commencement for Certificate II-IV) and retain them after they have completed year 12 (\$825 if retained after completing year 12). The aim of the changes was to encourage young people to commence training while at school and complete that training, or continue in a different New Apprenticeship after leaving school.

Figure 13 shows that in the absence of the change in incentive arrangements School Based New Apprenticeship commencements would not have increased to the extent that they have.

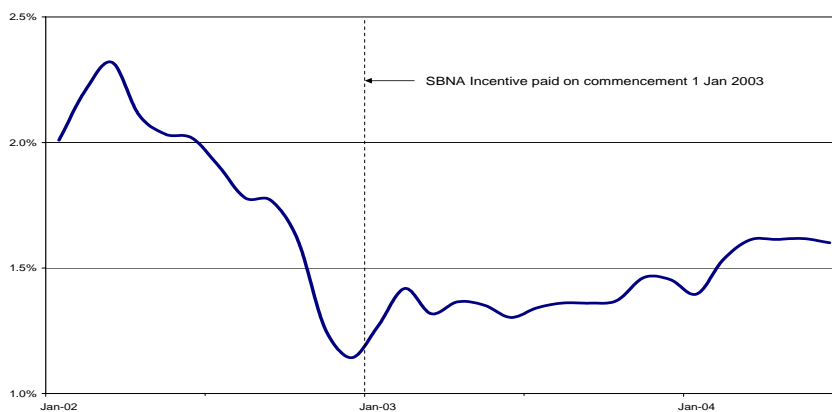
Figure 13: Actual and Projected School Based Commencements by month, January 2002 - June 2004



Source: TYIMS, 2004

This is further illustrated by figure 14 which shows the difference in the rate of growth of commencements between those eligible for the School Based New Apprenticeships Incentive and commencements in general. The introduction of the incentive has clearly arrested the decline in the growth rate of commencements.

Figure 14: Difference in Growth Rate Between “School Based” Commencements and “Other” Commencements, January 2002 – June 2004



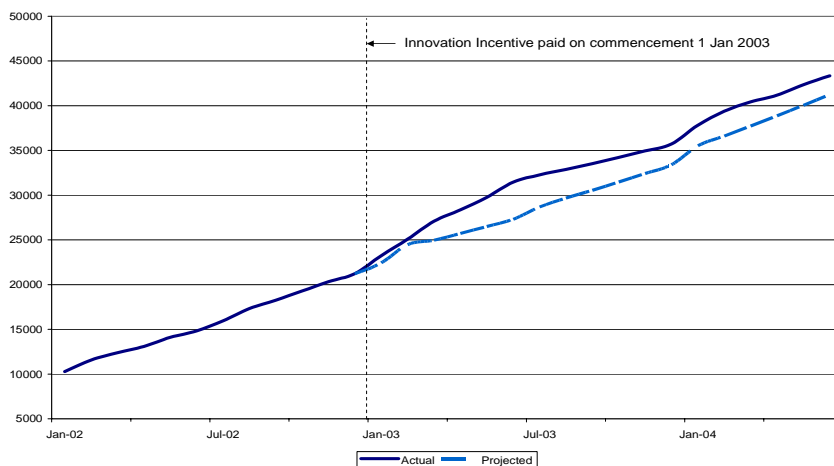
Source: TYIMS, 2004

Innovation New Apprenticeships incentive

On 1 January 2003, the Australian Government introduced the Innovation Incentive for commencements in Certificate III or IV New Apprenticeships in targeted innovation industries such as pharmaceutical, aircraft, engineering, electro technology, utilities, information technology and telecommunications.

As shown in figure 15, the introduction of the Innovation Incentive has been effective in increasing numbers in these areas. Commencements in training leading to qualifications specified under the Innovation Incentive would have been lower without the introduction of the incentive and the fall in the growth rate of commencements in these industries which occurred between 2002 and 2003 has stabilised.

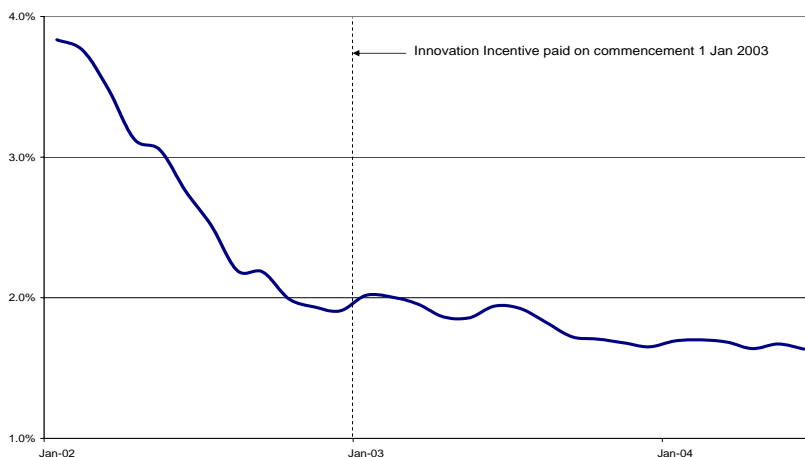
Figure 15: Actual and Projected Eligible Innovation Commencements by Month, January 2002 - June 2004, Actual and Projected Demand



Source: TYIMS, 2004

The fall in the growth rate of commencements in eligible innovation qualifications, illustrated in figure 16 could be due to the achievement of more realistic long term take-up rates in these qualifications, following the initial surge. However, the introduction of incentives, in concert with changed industry conditions appears to have acted to help maintain demand at its current level.

Figure 16: Difference in Growth Rate Between “Innovation Incentive” Commencements and “Other” Commencements, January 2002 – June 2004



Source: TYIMS, 2004

New Apprenticeships Centres

The evaluation found that New Apprenticeships Centres have performed very effectively in providing information and advice to employers eligible to claim incentives. The reduction in requests for New Apprenticeships Centres to help with the application process is evidence that employers are becoming more familiar with required procedures. A very low and ever decreasing proportion of employers are experiencing problems receiving their incentive payments. There may be room for improvement however in providing feedback to employers ineligible to claim incentives on the reasons why, with currently only half being informed of the reasons.

The performance of New Apprenticeships Centres in providing information on incentives, entering the required information and processing payments electronically is not as good as performance against other aspects of the administration of the incentives programme. In 2004, around three quarters of New Apprenticeships Centres met the minimum performance standard for accuracy in administering the incentives programme, which includes accurate entry of application and claim forms on the Training and Youth Internet Management System. Two thirds of centres met the minimum performance standard for processing incentives claims within ten days.

The evaluation found that there was room for improvement in providing advice to New Apprentices on their eligibility for Living Away from Home Allowance.

2.6 The effect of New Apprenticeships on training expenditure

The lack of available information on State and Territory incentives and the fact that Government recurrent funding for training delivery in the vocational education and training system is not specifically allocated to New Apprenticeships made a comparison between Commonwealth and State and Territory expenditure on New Apprenticeships very difficult.

As shown in table 7, over the period 1998 to 2003, there is evidence of a strong Government commitment to the funding of the VET system with total expenditure on vocational education and training increasing by 25.2%, from \$3.6b to \$4.5b, the Commonwealth increasing its expenditure by 19.9% and the States and Territories increasing their expenditure by 25.3%. New Apprenticeships comprise around 20% of the publicly funded VET system.

Table7: Recurrent expenditure on VET (\$m), by States, Territories & ANTA, 1998 to 2003

Recurrent Expenditures, 1998-2003										
\$ Million										
	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	ANTA	Total
1998	1319.2	887.4	573.8	282.4	282.4	90.8	66.3	86.5	67.8	3656.6
1999	1306.1	888.9	564.8	367.4	280.6	88.4	64.8	78.1	60.5	3699.6
2000	1344.9	889.1	617.3	379.4	287.9	89.9	78.4	76.6	58.4	3821.9
2001	1438.6	1093.4	612.7	394.4	323.4	91.1	81.4	77.0	74.0	4186.0
2002	1441.3	1164.8	662.7	411.9	341.3	94.5	87.2	84.2	67.5	4355.4
2003	1569.5	1179.3	673.9	431.5	349.2	105.3	96.8	91.7	81.3	4578.5
Change (%) 1998-2003	19.0%	32.9%	17.4%	52.8%	23.7%	16.0%	46.0%	6.0%	19.9%	25.2%

Source: Financial Statistics, 1999, 2000, 2001, 2002, 2003, NCVER.

As shown in table 8, since 1998-99, the level of expenditure by the Commonwealth on New Apprenticeships in the form of incentive payments has increased across all States and Territories, with payments made to employers in NSW, Victoria and Tasmania more than doubling in this period. In general, the level of Australian government incentive payments over this period reflects the trend in the level of growth in New Apprenticeship commencements and completions.

Table 8: Australian government incentives paid (\$m), by State, 1998-99 to 2002-03⁶

	1998/99	1999/2000	2000/2001	2001/02	2002/03	Percentage change
New South Wales	\$42.1	\$59.8	\$77.0	\$101.2	\$117.1	178
Victoria	\$59.2	\$79.6	\$103.5	\$132.3	\$163.7	177
Queensland	\$61.8	\$62.0	\$65.3	\$81.1	\$89.8	45
South Australia	\$18.1	\$20.5	\$28.6	\$34.8	\$32.3	78
Western Australia	\$19.9	\$22.3	\$22.0	\$22.7	\$29.4	48
Tasmania	\$9.0	\$17.5	\$16.7	\$18.6	\$19.4	116
Northern Territory	\$2.1	\$2.0	\$2.2	\$2.0	\$2.8	33
Australian Capital Territory	\$4.0	\$8.0	\$5.7	\$4.9	\$4.7	18
Australia	\$216.4	\$271.7	\$321.0	\$397.5	\$459.1	112

Source: Training & Youth Internet Management System (TYIMS) administrative data, DEST

The evaluation found that a high proportion of training expenditure can be attributed to firms with apprentices and trainees; this has not changed since the introduction of New Apprenticeships. Since the introduction of New Apprenticeships, the distribution of gross direct training expenditure across States and Territories has remained consistent with the distribution of employers and employees across States and increases in gross direct training expenditure attributed to firms with New Apprentices having been matched by a corresponding increase in the proportion of firms with apprentices or trainees.

As shown in table 9, training expenditure per employee has risen across all industries apart from mining; retail trade; and transport and storage.

Table 9: Comparison of real training expenditure per employee (\$000), 1996 and 2001-02 (2001 - 02 constant prices)

Industry	1996	2001-02
Mining	1.5	1.3
Manufacturing	0.3	0.4
Electricity, Gas and Water Supply	1.0	1.1
Construction	0.1	0.2
Wholesale Trade	0.4	0.6
Retail Trade	0.2	0.1
Accommodation, Cafes and Restaurants	0.1	0.2
Transport and Storage	0.4	0.3
Communication Services & finance and insurance	0.8	1.1
Property and Business Services	0.4	0.6
Government Administration and Defence	0.5	0.7
Education	0.4	0.5
Health and Community Services	0.3	0.5
Cultural and Recreational Services	0.3	0.3
Personal and Other Services	0.5	0.7
Total	0.3	0.4

Source: Derived from unpublished data from the ABS 1996 Training Expenditure Survey and the ABS 2001-02 Training Expenditure and Practices Survey; ABS Labour Force Survey, cat no 6203.0; ABS cat no 5206.0

Table 10 shows how changes in expenditure patterns in these industries compare with Australian Government incentive payments.

⁶ These figures are GST inclusive, with the exception of the 1998/1999 and 1999/2000 financial years which were pre-GST.

Table 10: Comparison of training expenditure patterns by selected industry groups and Australian government incentives (\$), 1996 and 2001 - 02

	1996			2001-02		
	Mining	Retail Trade	Transport & Storage	Mining	Retail Trade	Transport & Storage
Proportion of, all expenditure made by firms (%)	4.9	6.8	5.6	3.0	4.8	3.3
Proportion of, all employees (%)	1.1	15.8	4.9	1.0	15.9	4.8
Proportion of firms with apprentices and trainees (%)	6.7	10.8	4.1	13.6	17.6	4.2
Proportion of, all commencements (%)	0.8	20.2	2.1	0.6	21.6	7.6
Proportion of, all training expenditure made by firms, made by firms with apprentices and trainees (%)	75.6	56.5	36.2	51.2	64.9	58.4
Proportion of, all employers with apprentices and trainees (%)	0.3	18.8	1.8	0.3	22.4	1.5
Proportion of, all expenditure made by firms with apprentices and trainees (%)	8.8	9.0	4.8	3.4	6.8	4.2
Proportion of all subsidies and/or grants and payments (%)	1.6	14.0	0.6	0.7	14.6	3.3
Australian government incentives ¹ (\$M)	1.1	31.5	3.9	1.6	63.1	27.4

Source: Derived from unpublished data from the ABS 1996 Training Expenditure Survey and the ABS 2001-02 Training Expenditure and Practices Survey; ABS Labour Force Survey, cat no 6203.0; New Apprenticeship collection, NCVER, September quarter 2003.

1. Australian government incentives are not available before 1998-99, therefore this data relates to 2001-02 and 1998-99

Mining

Training expenditure by firms employing apprentices and trainees in the mining sector has decreased since the introduction of New Apprenticeships (from 75.6% to 51.2% of training expenditure in the mining industry) despite strong growth in the proportion of firms employing apprentices and trainees (up from 6.7% in 1996 to 13.6% in 2001-02) and significant growth in expenditure on Commonwealth incentive payments (up from \$1.1m in 1996 to \$1.6m in 2001-02).

The willingness of employers in the sector to train their existing workforce and access Commonwealth incentive payments to do so appears to have influenced employers to lift the level of publicly funded training in the industry and at the same time decrease their own contribution to the costs of training.

Retail Trade

Examination of the retail industry also provides evidence that over a period of significant growth in the number of apprentices and trainees in the sector, and in Commonwealth expenditure on incentive payments, expenditure on training in the retail sector has declined, including expenditure on training by firms with apprentices and trainees.

As shown in table 10, between 1996 and 2001-02 the proportion of firms with apprentices and trainees increased from just fewer than 11% to more than 17%. Despite this growth, the proportion of training expenditure made by firms with apprentices and trainees which is attributable to firms in the retail sector fell from 9% to less than 7%. Over a similar period the level of Commonwealth incentive payments more than doubled from \$31.5 million to more than \$63 million.

Transport and Storage

There is some evidence that increases in commencements in the transport and storage sector while accompanied by significant increases in Commonwealth incentive payments, have also been accompanied by decreases in training expenditure by employers.

The number of commencements in the transport and storage sector increased from just over 2% of total commencements in 1996 to almost 8% of commencements in 2001-02 making it the fifth largest contributor of apprentice and trainee commencements behind retail, property and business services, manufacturing and accommodation, cafes and restaurants.

At the same time, the proportion of total training expenditure made by firms employing apprentices and trainees attributable to firms in transport and storage fell from 4.8% in 1996 to 4.2% in 2001-02. Over a similar period expenditure on Commonwealth incentive payments increased from \$3.9 to \$27.4 million.

Size of establishment and employment status

There is no evidence of a change in the pattern of training expenditure based on the size of businesses following the introduction of New Apprenticeships. The pattern of expenditure has remained consistent with the structure of industry, with larger firms spending more on training than smaller firms.

There have been changes in overall workforce composition since the introduction of New Apprenticeships which may have been expected to alter the composition of training expenditure. Evidence suggests that the changes have not impacted to the same extent on firms with apprentices and trainees as firms without.

Traditionally, employers have funded the training of full-time, permanent employees and have been less inclined to fund the training of casual staff. With a growing proportion of firms employing less full time staff it might have been expected that training expenditure per firm may have fallen. However, the relative contribution to gross direct training expenditure by firms that employed apprentices and trainees with less than 70% of their workforce employed full-time increased considerably between 1996 and 2001-02. Therefore changes in the composition of the workforce have not impacted as greatly on training expenditure by firms with apprentices and trainees.

3. CONCLUSION

In summary, the introduction of New Apprenticeships has seen substantial growth in participation and an opening up of flexible training opportunities across a range of new occupations and industries. New Apprenticeships are strongly supported by employers across a range of measures but particularly evident in the strong and ongoing employment outcomes achieved by people completing a New Apprenticeship. The value of New Apprenticeships is also evident in the strong and ongoing financial commitment provided by Government and employers alike.