

*Contributed article***New Apprenticeships: An Unheralded Labour Market Program*****Mark Cully, National Institute of Labour Studies and
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After its election the idea of active labour market policies was shelved by the Howard government. Evaluations of the Working Nation package were positive, though qualified by the shortness of the implementation period (Junankar and Kapuscinski 1998, Stromback, Dockery and Ying 1999). Most of the attention since then has focussed on the government's controversial 'mutual obligation' initiatives, such as the work-for-the-dole scheme, and the transfer of employment placement services from the former Commonwealth Employment Service to private providers.

The quiet success story of recent years has been new apprenticeships. It is an unheralded story, because new apprenticeships are not badged as a labour market program. Its stated purpose is skill formation: to deliver formal, nationally recognised vocational qualifications, which it does through in-work training—and that is the nub of it. Because they are placed in a formal work situation, apprentices and trainees are exposed to the real demands of work and learning on the job, in ways that those engaged only in classroom-based training or work-for-the-dole participants never are.

The New Apprenticeship system shares some features that are common to most active labour market programs,¹ not least of which are employer incentives. These come in two forms. First, employers receive lump-sum payments, which vary in eligibility conditions and quantum across States.²

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Second, most apprentices and trainees are paid a 'training wage', one that is usually below the minimum award rate for an adult employee doing comparable work. This is to compensate the employer for the anticipated lower productive capacity of the apprentice and trainee while they are in training. There is also some deliberate targeting of new apprentice placements among disadvantaged groups in the labour market (e.g. New Apprenticeships Access Program).

But the system is also different. Most labour market programs involve developing skills outside the work context, or they provide for jobs (through wage subsidies or direct job creation) which have no formal training component. The New Apprenticeship system contains both elements, employment and training. Because it has been seen primarily as a skill formation program, by governments and training providers alike, the employment aspects of it have been relatively neglected. This article is intended to be a partial corrective of that neglect. It draws on two studies recently completed by NILS of the New Apprenticeship system, the first a study of over 2,000 trainees who had successfully completed their traineeship in 1997 (Cully, VandenHeuvel and Goodes 2000) and the second a study of 800 new apprentices who withdrew from, or cancelled, their contract of training in 1999 (Cully and Curtain 2001).³

The New Apprenticeship System

New apprenticeships is the generic name given (and used by the Federal government and some, but not all, State governments) to structured entry level work-based training. The system brought traditional apprenticeships and the more recent traineeships under the same umbrella from the beginning of 1998.

According to the Federal government, 'a main objective of the New Apprenticeship system is to ensure that Australian enterprises have access to a pool of skills of world-class quality' (DETYA 1999). However, the training function of new apprenticeships is not paramount in law—legislation governing the contract of training is subservient to legislation governing the contract of employment—nor, in many cases, in practice (Curtain 1993, Mitchell, Robertson and Shorten 1999).

People enter new apprenticeships for different reasons, many for employment related reasons while others do so with training as their primary goal. Employers also have different reasons for taking on new apprentices related to whether employment or training is paramount. To work well the system needs to accommodate different expectations and goals. Apprentices and trainees expect, in varying degrees, to acquire transferable skills, to be adequately compensated for their labour, and to obtain work on an ongoing

basis. Employers expect loyalty, dedication, and, in varying degrees a commitment to learn and certain standards of productivity on the job. But it might also be the case that apprentices and trainees are only interested in obtaining ongoing employment, and employers may use the probationary period as a device for screening potential employees.

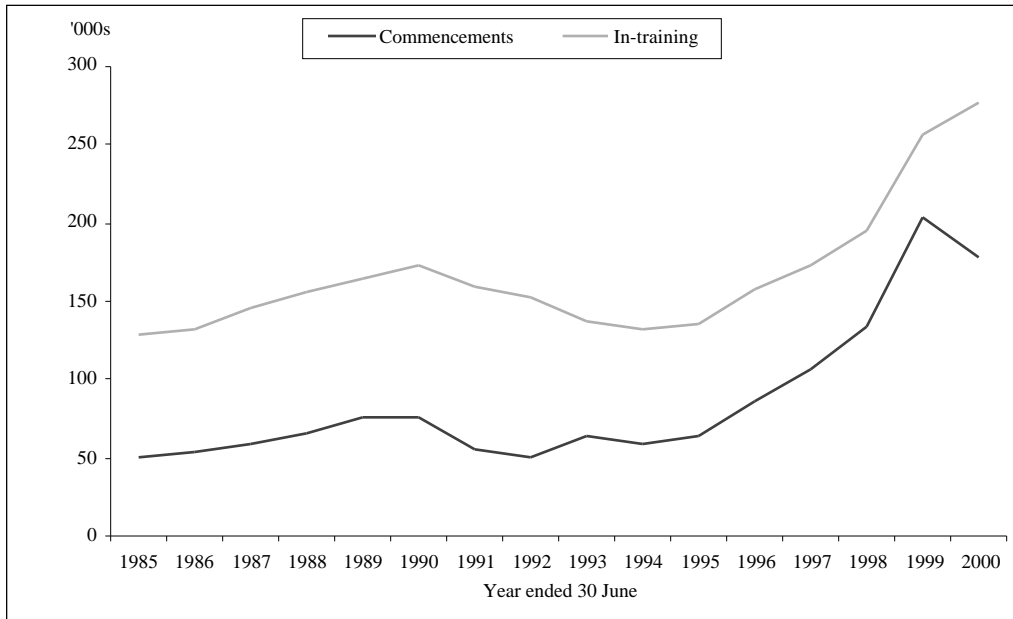
The basis of the New Apprenticeship system in employment is both its strength and its weakness. The acquisition of skills in the workplace under normal working conditions provides the apprentice or trainee with the opportunity to learn in context. However, there is always a danger that the employment relationship dominates and the opportunity to acquire skills through mentoring is relegated to a minor role. Even here, though, we must be wary of assessing the worth of the system solely from a training perspective.

Take-up of New Apprenticeships

During the year ended 30 June 2000, 178,400 people commenced a new apprenticeship. The total stock of apprentices and trainees at this time stood at 275,600. In Figure 1 we present data on how the flow and stock of commencements has changed over the past fifteen years. This shows a largely cyclical pattern up to 1995, which is then followed by a dramatic up-turn in the number commencing training and in-training.

The reasons behind this recent surge are not well understood. Certainly some of it can be attributed to the lauded 'flexibilities' of the integrated system, but it is also likely to be the case that system incentives have distorted behaviour. Table 1 shows the remarkable rise in persons aged 25 years or older commencing new apprenticeships, from 4,400 in the year ended June 1995 to 68,000 five years later. Indeed, in the past two years more people aged 25 years or older have commenced new apprenticeships than those in the youngest age bracket. This is not so much evidence of an enthusiasm for 'lifelong learning' in the older age bracket as confirmation of stories in recent reviews about some employers mass enrolling existing employees to obtain the government subsidy.⁴ There is also the possibility that Job Network providers are using New Apprenticeships as a surrogate wage subsidy program, especially for the 'hard to employ' from older age groups (Curtain 2000, p10). It is interesting to note the doubling of New Apprenticeships in 1999 among those aged 25 years and over occurred at the same time as the expansion of the new Job Network arrangements from May 1998 (OECD 2001).

Figure 1: Number of Apprentices and Trainees commencing Training and In-training, 1984-85 to 1999-2000



Source: NCVER (2001)

Table 1: Commencements in Year ended June, by Age ('000s)

| Age | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|------------|------|------|------|-------|-------|-------|
| 15-19 | 42.4 | 45.5 | 49.8 | 58.1 | 72.6 | 71.3 |
| 20-24 | 13.0 | 18.4 | 24.2 | 30.6 | 43.4 | 39.0 |
| 25 or more | 4.4 | 12.3 | 21.4 | 36.7 | 79.9 | 68.0 |
| Total | 60.0 | 76.1 | 95.4 | 125.3 | 195.7 | 178.4 |

Source: NCVER (2001: Appendix A, Table 104)

When asked themselves as to their motives for commencing, new apprentices give revealing answers. Table 2 reports the findings on this question from the two surveys. Among trainees commencing in 1996, three in four were motivated by a desire to obtain employment. They can be sub-divided into two groups, those who wanted to work in *any* job (41 per cent) and those who took on the traineeship because they wanted a path into that *specific* job (34 per cent). Relatively few stated that their main reason was to obtain a qualification.

Table 2: Main Reason for Commencing Traineeship/New Apprenticeship (per cent)

| | <i>Completing trainees (commenced 1996)</i> | <i>Non-completing new apprentices (commenced 1996-99)</i> |
|---------------------------|---|---|
| Work in any job | 41 | 20 |
| Work in that specific job | 34 | 23 |
| To obtain qualification | 14 | 26 |
| Obligated to do | 7 | 28 |
| Other | 4 | 3 |
| Total | 100 | 100 |

Source: Unpublished data from DETYA survey of completing trainees and NCVET survey of non-completing new apprentices

The group of non-completing new apprentices had a different pattern of motives—this may be because they come from a later cohort of commencements (i.e. change in motives over time) or because the motives are themselves related to whether people go on to complete or not. The proportion motivated by employment considerations is much smaller, though still the largest at 43 per cent. However, more than a quarter said they were obliged to do training as either a requirement of the job, or their employer had told them to do it, or someone else (such as a Job Network agency) had told them to do it. Among this group by far the highest proportion of those who said they were obliged to do training were existing employees, almost half of whom (45 per cent) said this was the case.

Destination Where?

Three States (Victoria, Queensland and Tasmania) have all conducted quality reviews of vocational training within the past two years. These have largely focused on the 'front end' of the system, arising from the escalation in commencements which has placed burgeoning demands on the system, in turn raising doubts about the quality of the 'outputs'. Kaye Schofield has been involved with each review and has synthesised her findings from the three reviews in an overview paper (2000). Three questions were common to each review, one of which is about 'outcomes' in relation to resources expended,⁵ but nowhere in her overview does Schofield discuss what apprentices and trainees *do* with whatever skills they have acquired from their training.

A similar short sightedness is apparent in the paucity of data which tracks the progress of apprentices and trainees through, and then beyond, their training. There are annual graduate 'destination' surveys conducted of university and TAFE graduates. There are no corresponding surveys done for new

apprentices, even though the numbers passing through the system are, as we have seen, substantial.⁶ The Department of Education, Training and Youth Affairs has begun to report regularly on post-training employment status, but only three months after the cessation of training.

The two NILS studies have a longer time-frame, with both groups surveyed between 9 and 21 months after they had ceased training.⁷ Table 3 shows the labour market status of former trainees and apprentices around one year out from completion or non-completion. The proportion employed was remarkably high, 83 per cent of completing trainees and 81 per cent of non-completing new apprentices, and compares very favourably with university undergraduate employment rates of around two-thirds and TAFE graduate employment rates of around three-quarters—even allowing that a proportion of these go on to further study rather than look for work (NCVER 2001: Table 6.2).

From another perspective, the unemployment rate, while higher for non-completing new apprentices also compares favourably with rates experienced by other groups—for example, a rate of 20 per cent in May 2000 among persons aged 15-24 years who are no longer at school (ABS Cat. No. 6227.0). This is not difficult to explain. Consider an employer faced with choosing between someone who has little work experience, no post-schooling qualifications and is presently unemployed, with someone who is similar in most respects but has spent the past several months working towards an apprenticeship or traineeship (whether completed or not).

There is, of course, an element of self-selection about this, in that those who are selected for new apprenticeships in the first place may be the same as those who would have been hired in the absence of incentives to do so—one of the common ‘deadweight’ costs of active labour market policies. Moreover,

Table 3: Labour Market Status approximately One Year after Training (per cent)

| | <i>Completing trainees (12-15 months later)</i> | <i>Non-completing new apprentices (9-21 months later)</i> |
|----------------------------|---|---|
| Working with same employer | 50 | 9 |
| Working with new employer | 33 | 72 |
| Unemployed | 7 | 14 |
| Not in labour force | 9 | 5 |
| Total | 100 | 100 |

Source: Cully et al. (2000: Table 5), Cully and Curtain (2001: Table 4.3)

there is variation in outcomes—our study of completing trainees showed that those who had left school early, older persons and indigenous persons all had lower chances of being employed one year later, though in each of these cases at least two thirds were employed.

It is appropriate to pause here and ask what type of jobs were people working in post-training. Most were in full-time employment. This was the case for 81 per cent of completing trainees in work, and 77 per cent of non-completing new apprentices who had changed jobs.

Further comparisons between the two groups are frustrated by differences in the questionnaires used across the two studies, but there are some points that can be established separately for each group. Among completing trainees, 76 per cent reported that they were happy with the kind of work they were doing in their present job, and at least 71 per cent had experienced a rise in their earnings. Among non-completing new apprentices who had changed jobs, 77 per cent reported an improvement in their pay and a similar proportion, 76 per cent, said that their working conditions were better. Relatively few had become worse off, with just 8 per cent reporting a cut in earnings and 7 per cent claiming working conditions were worse. Such comparisons are not ideal, not least because most participants would experience a rise in earnings simply by moving off the 'training wage'.

A more formal evaluation study of labour market effects (see, for example, Friedland, Greenberg and Robins 1997), which neither of these studies was designed to be, would enable policy-makers to be better placed to judge the value of the system. This would entail a proper tracking study of a cohort of commencing new apprentices and a broadly comparable 'control group' to establish whether the outcomes are superior to the counterfactual, and whether the subsidies available represent good value for money. A longer time-frame is also needed to make a more definitive statement about the extent to which new apprenticeships provide paths into ongoing, well-paid and meaningful work.

Non-completion and its Causes

In many ways the real testament of the system is the success of the non-completing group in finding ongoing work—four out of five job leavers were able to obtain a job with a new employer. But why did the original employment relationship come to an end?

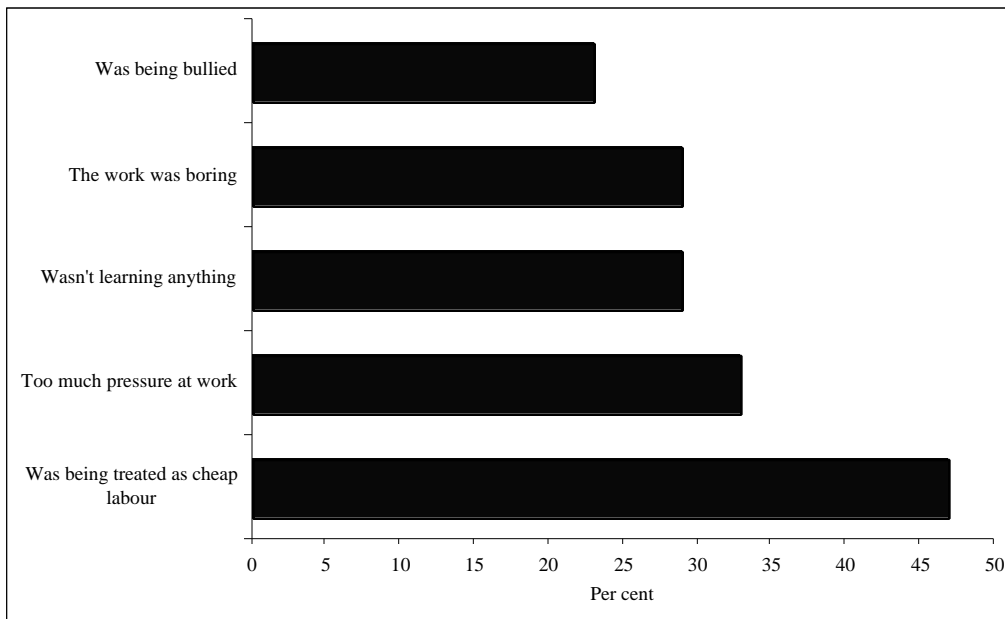
Our study found, consistent with our argument that the employment aspect of the new apprenticeship is paramount in the motives for commencing, that a

majority of people (54 per cent) stopped training because they were dissatisfied with their job or, tantamount to the same thing, they got a better job. Of the remainder, 20 per cent ceased training because they were dismissed or made redundant by the employer, 16 per cent because of dissatisfaction with the training they were receiving and 11 per cent for a variety of other reasons (e.g. to study full-time or to have children).

Another way in which we approached this issue was to ask non-completers whether certain aspects of their work and training were a factor in them stopping. In Figure 2 we show the proportion of non-completers who agreed that they were. About a quarter were in agreement that their work was boring, they weren't learning anything and they were being bullied—this last point, if validly made, must be addressed if policy-makers and training providers are serious about promoting a culture conducive to learning. One in three agreed that pressure at work was a factor in them stopping, while almost half (47 per cent) felt they were being used as cheap labour.

It is clear from these findings that a very large proportion of non-completers had an unsatisfactory employment relationship. While we have no evidence to say that completors have a better time of it at work, it seems reasonable to infer that an unsatisfactory relationship is inimical to completion.

Figure 2: Proportion Agreeing that Issue was a Factor in them Stopping Training



Source: Cully and Curtain (2001: Figure 4.1)

Although training was not foremost in the factors behind non-completion we did uncover problems in the delivery of training which suggest it to be non-trivial. Table 4 compares participation in training between completing trainees and non-completing new apprentices. As can be seen, non-completers were far less likely to have participated in both on- and off-the-job training, and much more likely to have not taken part in any training at all—only a small proportion of this difference is explained by non-completers withdrawing from the program at an early stage (i.e. before they had the opportunity to take part in training). Employer accounts contradict those of the non-completers. For example, all but one per cent of employers of the non-completing new apprentices reported that they provided training, casting doubt on the account provided by their former employees. However, the comparison made with completing trainees in Table 4 is based on identical questions, and it is not at all apparent why there should be such marked differences unless they were, in fact, real.

Table 4: Participation in Training (per cent)

| | <i>Completing trainees</i> | <i>Non-completing new apprentices</i> |
|------------------------------|----------------------------|---------------------------------------|
| On- and off-the-job training | 52 | 27 |
| Off-the-job training only | 22 | 13 |
| On-the-job training only | 23 | 41 |
| No training | 3 | 19 |
| Total | 100 | 100 |

Source: Cully *et al.* (2000: Figure 3), Cully and Curtain (2001: Figure 3.2)

One Label for All?

Thus far, we have discussed new apprentices with little reference to distinctions between them. The most important distinction to make, we found in our study of non-completers, was between apprentices and trainees—even though in the promotional material on new apprenticeships, in policy documentation, and in official statistics this distinction has been airbrushed out of existence. Some have even gone as far as contending that ‘it is now time to put the traineeship concept to rest’ (NCVER 2001: 192).

In our study we identified ‘apprentices’ as those who were working in a trades occupation and training towards an AQF Certificate Level III or IV. All others were identified as ‘trainees’. Applying this definition, we established that (among non-completers)⁸ apprentices were predominantly male, young, new employees and worked in small organisations. Trainees were predominantly female, older on average than apprentices, existing employees and worked in

organisations of all sizes. As an example, only one in twenty apprentices were aged 25 years or more compared with one in three trainees.

Many non-completing trainees, especially those who were older and who were existing employees had, at best, a tenuous connection to the training component of their new apprenticeship. Compared with apprentices, trainees were:

- more likely to say they were obliged to undertake training and less likely to say they wanted a qualification;
- less well informed about what the training would entail;
- less likely to have participated in structured training;
- less likely to have left for training-related reasons;
- more likely to stop training but remain with the same employer; and
- much less likely, if they had changed jobs, to have re-commenced training.

This last point is especially instructive. Proportionally, four times as many apprentices as trainees (44 per cent compared with 11 per cent) went on to re-commence their training with a different employer. Three in four former trainees gave up any connection to further education or training. For them, it was paid employment which was paramount, and the easier they were able to make a transition from a training to a normal wage the better off they would be. For apprentices, it appears to be the case that the 'ticket' remains the primary path to ongoing employment in their field, and if that requires them to change employers to do that then they will do so. We would argue that 'traineeships' have served, and continue to do so, a different labour market function than traditional apprenticeships. Apprenticeships are a way of managing the transition from education to work for young people wanting work in the largely traditional trades where the qualification serves as a clear signal of competence. Traineeships have a less clear identity—for some it is a path out of unemployment into the secondary labour market or an artificial barrier into a higher paying job, while for others it offers better prospects with their current employer or a different employer, some of whom do not require completion of the qualification to be persuaded of the person's competence.

Conclusion: Bringing the Labour Market into View

There are conflicting views about the purposes of the New Apprenticeship system. On the one hand, the program is viewed as part of Australia's skill formation process, with the aim in particular of addressing skill shortages. On the other hand, New Apprenticeships are also seen as a vehicle to improve

employment prospects for young people through a range of school to work pathways. These tensions between skill formation and labour market objectives are also reflected in the division of administrative functions and program funding between State and Federal governments (Curtain 2000).

Debate about the efficacy of the New Apprenticeship system has been dominated by those in the industry, most of whom have a vested interest in a focus on the training dimension of the program. Our work shows that this perspective neglects the role that work-based training plays in the labour market. It is time to acknowledge the labour market function of New Apprenticeships when assessing the system. Many participants in the system themselves see it from a labour market perspective, either in the directly instrumental sense of a job of any kind, or in the sense that it constitutes a path into the kind of work that interests them. Those that stop training part way through mostly do so because of an unsatisfactory employment relationship.

Bringing the labour market into view could also, ironically, lead to an improvement in the quality of training. Better job matching at the start and means of addressing problems at the workplace as they arise would improve the employment relationship and lower non-completion rates which, in turn, would promote better skill formation through sustained learning on- and off-the-job.

Endnotes

- 1 Indeed, the New Apprenticeship program meets the OECD definition of an active labour market policy (Martin 1998), but the point is that it is not presented as such in policy documentation.
- 2 Subsidies are provided by the Commonwealth and also by some States/Territories. In 2000-01, total Commonwealth disbursements to employers for hiring new apprentices was \$369.4 million (NCVER 2001).
- 3 The study of completing trainees drew on an existing survey data set conducted for DETYA by the Wallis Consulting Group. The study of non-completing new apprentices was based on a survey questionnaire developed by NILS and Curtain Consulting, with data collected by Market Equity. Only a limited number of questions are directly comparable across the two sources.
- 4 The subsidy is no longer available for this group of workers.
- 5 The second question was: 'Do User Choice pricing arrangements & employer subsidies and rebates ensure value for money in terms of outcomes and completion rates?' (Schofield 2000: 2).
- 6 A proportion of the TAFE graduates surveyed will be those who have completed new apprenticeships. This sub-sample can be identified and analysed separately (e.g. Ball and Phan 2001) though it would not be fully

representative of all new apprentices who had completed in a given period. This is especially the case for trainees, as many of them receive their training from Registered Training Organisations outside the TAFE system.

- 7 Completing trainees were surveyed in the autumn of 1998, having completed their traineeship in March 1997. Non-completing new apprentices were surveyed in September 2000, having withdrawn from or cancelled their contract of training at some stage in 1999.
- 8 The differences here cannot be generalised to all new apprentices as the survey was only one of non-completers, and some of these characteristics may be related to the likelihood of non-completion.

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