

Ms Jessica Read
Assistant Commissioner
Productivity Commission
Canberra
ACT

Re Feedback on the skills and adaptable workforce interim report

Dear Ms Read,

The National Australian Apprenticeships Association represents the providers of Apprentice Connect Australia that sign up and support all apprentices and trainees in Australia. Since its inception in 1998 the providers have supported 6.4 million Australians in their apprenticeship or traineeship.

The national focus on a skilled and adaptable workforce comes at a crucial time. In December 2024 national apprentice and trainee in-training levels were 311,760, more than 27% below the peak of 428,000 in June 2022. Most worryingly the 151,445 commencements in the 2024 calendar year were the equal lowest¹ since 2015, and the lowest as a proportion of the total labour force since 1998 – just 1%.

In the licensed trades, electrical and plumbing commencements are at their lowest since 2020, the height of the pandemic. They are failing to keep pace with the growth in the overall workforce, and certainly not growing to meet the needs of the transition to net zero. Other construction trades are also declining at a time when affordable housing is a national priority.

But it is the decline in Traineeships that represents the most worrying trend. There were only 71,171 commencements across all traineeships in 2024, down from 136,245 just two years earlier, a 47.8% decline. This shift is associated with the end of record investment through the Boosting Apprentice Commencements (BAC) program, but also the subsequent “step downs” in the Australian Apprenticeships Incentive Program which stripped historical supports for employers of trainees outside of priority areas. This has reduced the number of First Nations people and the proportion of women accessing this integrated work based learning pathway. Two clearly unintended consequences.

So, the Association warmly welcomes the interim report’s recommendation **(2.2)** to better target incentives to lift work-related training rates in small and medium enterprises. The easiest way to achieve this would be to restore traditional supports for employers of trainees, a well-established method to create integrated work based learning opportunities in small and medium enterprises.

The creation of the Fee Free TAFE arrangements has expanded VET opportunities for institution based study but compounded the move away from integrated work based learning

¹ NCVER 10 year apprenticeship and traineeship timeseries Dec 2024. There were 151,040 in the 2019 calendar year, but the national labour force was 12,976,300 by comparison to 14,573,800 by December 2024.

which achieves both higher completion rates and higher levels of employer acceptance of the value of the qualification. In NSW and Queensland fee free TAFE places can be used to pay for tuition fees for some cohorts of apprentices and trainees. However, the surge in demand for VET places of all types has also led to lengthy delays in commencing an apprenticeship or traineeship in these states.

In Victoria Fee Free TAFE places cannot be used in this way and apprentice and trainee commencements are rapidly declining. Victoria has historically been the second largest employer of apprentices and trainees but has now fallen well behind Queensland, with a third less commencements in 2024. The operation of the Skills First program in Victoria exacerbates this trend, removing the demand driven nature of the program and introducing capped places for community and private RTOs. Many of the caps are so low as to be unviable for these providers to deliver. TAFE does not have the capacity to fill the gaps created in traineeship provision.

The Skills Agreement is a useful vehicle through which the Commonwealth and the States should be encouraged to recommit to integrated work based learning as the core of VET provision. The Commonwealth should use its response to the Strategic Review into Australian Apprenticeships Incentives to rebalance employer incentives to avoid unintended consequences.

The VET system is based around employers setting industry standards for training. Apprenticeships and Traineeships move beyond competence because of their integrated work based nature. The extended duration of Apprenticeships moves those who complete to proficiency across all work contexts and then to mastery. It's the cornerstone of the quality of our apprenticeship system; it's understood by employers and accepted by them.

We have concerns about removing occupational entry requirements **(3.1)** in this context. On the face of it harmonising entry requirements seems simple and logical. But it's proved difficult to achieve because it should not be a race to bottom, it should not undermine employer acceptance of the outcomes.

For example, it's worth reflecting on those states that deregulated pathways for hairdressing, which has resulted in lower quality training and the ability for those graduates to actually perform equally to those who learned their skills using a traditional integrated work based pathway. Many subsequently have to do the apprenticeship to learn the skills they need, making the process more laborious than it would have been had they done it in the first place. JSA research shows that hairdressing has the lowest vacancy fill rate of all trades at just 44% with employers citing lack of experience and lack of relevant qualifications as the reasons why.

This is what we mean by avoiding a race to the bottom.

So, we have concerns about the recommendation **(3.2)** to expand and streamline qualification requirement for occupations, many of which currently require an apprenticeship pathway. Employers value competency, then context specific proficiency, then mastery. At its best our current apprenticeship system delivers this. The risk with alternative pathways is that they are institution based and deliver point in time competency but not the proficiency and mastery that really underpins what employers value. Alternative pathways also run increased safety risks and lack the oversight that reinforces quality outcomes.

We support the recommendation **(2.1)** to move to a national system of credit transfer and recognition of prior learning, with the caveat that the system should be cost neutral for



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providers to implement. The national skills taxonomy has the potential to be used as the basis for credit transfer arrangements, but the current Higher Education providers should be asked to agree in principle to use the national credit transfer system once created, not opt out at the last minute in favour of the bilateral and administratively burdensome arrangement that exist now.

We accept the other recommendations in the interim report.

We would welcome an opportunity to discuss the points we raise, with members of your team.

Yours sincerely,



Ben Bardon
CEO