



Strategic review of the Australian Apprenticeships Incentive System

Terms of Reference

Overview

The Australian Apprenticeships Incentive System (Incentive System) provides financial support to apprentices and employers. Combined with a range of other non-financial services and support, the Incentive System is intended to encourage take-up and completion of apprenticeships and traineeships, to provide the trade and technical skills required by Australian industries and provide workers with skills needed for secure, well-paid work and career advancement.

Considering the long-term trend of declining completion rates and skill shortages across the Australian economy, the Government has decided to commission a Strategic Review of the Incentive System (the Review), to ensure that incentives and other non-financial support are designed to optimise completion rates and address skill shortages to provide the skilled workers needed for Australia's growing economy.

The Review will consider opportunities to broaden the take-up and successful completion of apprenticeships and traineeships. The review findings will aim to build skills and talent and provide opportunities across the Australian workforce in all communities and regions. The Review will examine best practice training and support provision as well as how opportunities can be created through apprenticeships, traineeships, re-skilling and upskilling, to enable Australians with vocational careers to progress throughout their working lives.

The Review will also inform longer-term policy settings aligned with priorities in the Employment White Paper including a focus on meeting net zero targets, care and digital skills needs.

Scope

The Strategic Review will:

1. consider the effectiveness and efficiency of the Incentive System, against the objectives of encouraging take-up and completion of apprenticeships and traineeships, and examine the complementary role of services, support and high-quality training provision;
2. consider how cost of living pressures are impacting apprenticeship and traineeship take-up and completion in the current economic context, taking into account incentives and support from the Commonwealth, States and Territories;

3. take a holistic view of the apprenticeship system, including non-financial supports provided through the Australian Apprenticeship Support Network and by States and Territories and factors relating to workplace conditions, culture and the role employers play in the quality of apprenticeships and traineeships. The Review will also identify any systemic impediments to the effective operation of the Incentive System, including barriers to completions;
4. consider the effectiveness of the Incentive System and associated services and support in creating training environments that encourage the take up and completion of apprenticeships and traineeships by women and people who face additional barriers to undertaking training (including people in rural, regional and remote areas and First Nations peoples); and
5. explore alignment between the Incentive System and priorities in the 2023 Employment White Paper and the Government's broader economic objectives, including the promotion of lifelong learning; opportunities, levers and initiatives beyond the Incentive System to encourage employers to take on more apprentices and encourage them to provide people who are underrepresented and lack opportunities, with more experience in the workplace at both pre-apprentice or apprentice/trainee level, particularly in areas of high and emerging skills needs.

Governance and consultation

The Government has appointed experienced and eminent reviewers Justice Iain Ross AO and Ms Lisa Paul AO PSM. The Reviewers will Report to the Minister for Skills and Training in late 2024.

The Reviewers will consult broadly and invite all stakeholders to provide submissions. Advisory groups including users of the apprenticeship system will be established to provide advice based on their experiences.

The Review will be informed by research and will consider best practice in Australia and comparable economies.

Background

The current Incentive System settings and financial arrangements were part of the March 2022-2023 Budget and included a reduction in financial support for apprentices and employers to take effect on 1 July 2024.

Individual completion rates vary across occupations, but overall are in a steady decline, and have been over more than a decade. This is not just a concern for individuals and employers, but also for the Australian economy. Getting the best outcomes from investment in apprenticeships is vital for workers who take on an apprenticeship, for employers and to ensure we have the skills our economy needs.

We know that almost half of all apprentices don't complete their training. When unemployment is low, the opportunity cost of doing an apprenticeship rises. This comes at longer-term costs to the economy in terms of skills availability as well as to the individual in terms of skills development, employment pathways and long-term earning capacity and the employer in terms of sunk costs, business inefficiency and continuity.