

A fair deal

Apprentices and their employers in NSW
Integrated research report

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Integrated research
report

Report on research
into the apprenticeship
market in NSW,
commissioned by the
NSW Board of Vocational
Education and Training

Quay Connection,
Ithaca Group and
The Research Forum

Disclaimer:

This paper was produced for the NSW Board of Vocational Education and Training. The views and opinions expressed in this document are those of the authors and do not necessarily reflect the views of the Board of Vocational Education and Training or the Department of Education and Communities.

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INTRODUCTION

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The purpose of the research project, which was commissioned by the NSW Board of Vocational Education and Training (BVET) in 2010, was to provide the Board with insights into opportunities for improving recruitment and retention of apprentices in key trades and increasing the number and proportion of apprentices who complete training and go on to work as qualified tradespeople in their field of expertise.

The Board wanted to look at the skills 'problem' through a different lens, not to examine the system and institutions but to explore apprenticeships from a market perspective. The Board wanted to understand how attitudes, values and experiences shape behaviours and decisions on both the supply and demand sides of the market, to understand how employers and apprentices think and feel about the concept of apprenticeship, what motivates them, what influences them and how they respond to their experiences, good and bad.

The research does not rely on anecdotal evidence or on the views of stakeholders or interest groups, although we have drawn on the research and insights of others through a brief literature review. The research is grounded in the direct voices of apprentices and their employers, what they say about their values, their experiences and the outcomes they achieve.

For the first time, BVET has a robust and reliable base of data, drawn from a large representative sample of apprentices (1200) and employers (500), to inform its considerations. This data tells us what matters to individual apprentices and employers, how they think and feel about their direct personal experience of an apprenticeship and how their experiences have influenced their attitudes and values, intentions and decisions.

This report provides an integrated summary of findings from the research and identifies some of the implications for change. The research project included qualitative and quantitative research with apprentices and employers and a brief review of relevant research and policy papers. The focus of the research was on apprenticeships in traditional and technical trades and the project did not include traineeships. This report should be read with that in mind; when we refer to apprentices or employers of apprentices, we are talking about those engaged with traditional and technical trades.



"The Australian Apprenticeships system will require significant improvement to performance, such as retention, completion outcomes and its impact on productivity and innovation, if Australia is to respond effectively to the challenges of competing in a global marketplace."

CONTEXT

Australia seems to be plagued by persistent skills shortages in both traditional and new technology trades. Even through the worst of recent global economic downturns, there was only a short term reduction in demand for qualified tradespeople; industry was, and still is, projecting significant future shortages and calling for government to take action to increase the stock of skills, particularly so that Australia can capitalise on and benefit from world demand for our resources.

Despite consistent investment over the last decade in the apprenticeship system, the problem of trade skill shortages appears almost intractable; it continues to raise anxiety in public and private sectors and to generate a massive level of research, debate and media coverage.

The big issue is the shortage of tradespeople with nationally recognised qualifications to meet industry needs; basically there has been a steady growth in demand and no real increase in supply.

The number of apprentices completing their apprenticeship has remained fairly constant in the last ten years. Despite almost a 40% increase in the number of recruits over a decade (designed to increase the supply of apprentices to employers), we have seen a steady decline in the proportion of apprentices who finish training and receive a qualification (as a percentage of commencements). Nationally and in NSW, only around 55% of trade apprentices complete their training although the proportion does vary across different occupations.

In effect, we are recruiting more and more young people to take up an apprenticeship but as the pool of starters increases, the proportion of completers decreases. The proportion of young people terminating their apprenticeship in the first 12 months has steadily increased over the last decade so that now one in three apprentices is likely to leave their apprenticeship in the first year.

There have been many initiatives to improve the apprenticeship system and the structures and institutions that support it and there is also significant investment in financial incentives, both for employers and apprentices. While these initiatives and incentives have enhanced specific aspects of the system, they do not appear to have had the desired impact on the desired scale; the balance between demand and supply of skilled tradespeople has not improved and the number of apprentices who achieve a qualification has remained largely unchanged.

According to the 2011 report of the Commonwealth Government's Expert Panel:

"The Australian Apprenticeships system will require significant improvement to performance, such as retention, completion outcomes and its impact on productivity and innovation, if Australia is to respond effectively to the challenges of competing in a global marketplace."

The question is what can be done to achieve that critical improvement in performance? This research study reveals a number of insights into the market that indicate opportunities for change to the current model of apprenticeships and the infrastructure that supports it to increase the effectiveness of the system and increase the return on investment in apprenticeships for government and industry.

THE RESEARCH

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The research methodology was designed to explore how factors in the social and economic context of apprenticeships and factors in the individual experience and attitudes of apprentices and employers come together to influence market response to and satisfaction with the apprenticeship 'product'. That satisfaction impacts on the commitment of apprentices to finishing their apprenticeship and the commitment of employers to providing the training and experience apprentices need to become skilled tradespeople.

We live in a market driven economy now; we 'vote' with our wallets and our feet. If a product or service matches our expectations and aspirations, it gets our approval, our custom and our commitment – we buy it or support it or stick with it. If it doesn't, we don't.

The core question for this research was 'What does the market of apprentices and employers want?' The answer to that question will provide insights into the need for change and the opportunities to enhance or adapt systems or services so that they more closely match the needs, expectations and desires of the market. If a significant proportion of the market doesn't like or want the current apprenticeship 'product' or 'service' – and with a 45% non completion rate in NSW, that's a fair assumption – we need to understand the options for changing the current product to ensure that it meets market expectations and does the skills development job it is intended to do, improves employer and apprentice satisfaction with the experience and increases the numbers of apprentices who successfully complete their apprenticeship.

2.1 METHODOLOGY

The project included four elements.

OVERVIEW OF RECENT, RELEVANT LITERATURE

The project began with a brief review of recent research, policy and discussion papers relevant to the central research questions.

The review focused on:

- **THE APPRENTICE MARKET** including research into factors that impact on apprentice motivations and interests and apprenticeship completions and discontinuations; data on current completions, terminations and discontinuations; and research into the characteristics of the current generation of young people from which apprentices are being recruited (primarily GenY)
- **THE EMPLOYER MARKET** including research and discussion papers identifying employer motivations for taking on an apprentice; employer needs for skills and responses to options for change; data on current completions and factors impacting on completions across the range of business size and type; and recent recommendations for change to current systems and structures based on advice from expert groups and business and industry representative bodies

'What does the market of apprentices and employers want?'

This overview of current knowledge and thinking, combined with advice from BVET, provided the basis for refining the initial research questions to be explored in focus groups.

QUALITATIVE RESEARCH

The qualitative research element of the project was designed to clarify and refine the central issues for testing in quantitative research. Through group and one to one discussions, we explored the individual employer and apprentice experience of apprenticeships in NSW, the primary motivators for entering an apprenticeship or employing an apprentice and the key factors impacting on satisfaction or dissatisfaction with the apprenticeship experience. The participants were all drawn from traditional and technical trades and industries.

Analysis of input from the focus groups provided the basis for the development of the quantitative survey.

The qualitative research phase included:

- Eight focus groups of 8-10 current apprentices at different stages of progression through the apprenticeship and apprentices who were currently out of trade or had discontinued their apprenticeship
- One to one interviews and small group discussions with a total of 23 current employers of apprentices

QUANTITATIVE RESEARCH

Drawing on insights from the qualitative research, the team developed two survey questionnaires – one for apprentices and one for employers.

The surveys were designed to:

- Explore the attitudes, values, motivations and behaviours of individual apprentices and employers.

(The surveys tested apprentice values against 49 value statements and tested employer values against 36 statements).
- Generate a meaningful segmentation of the apprentice and employer markets (a way of identifying distinctly different groups within the market, what matters to them and how this impacts on their behaviours and decisions)
- Test the impact of some micro and macro factors, changes in social and economic context and the 'conventional wisdoms' on the thinking, intentions, behaviours and decisions of employers and apprentices

Using the databases of NSW State Training Services to identify potential participants, the surveys were administered between November 2010 and February 2011 to a randomised representative sample of:

- 1,200 apprentices, 900 currently in an apprenticeship and 300 discontinued (including a number who had discontinued with their current employer but were looking for another employer)
- 500 employers, currently employing apprentices, nearly 80% of whom were in small and medium sized enterprises employing between 1 and 15 people

NOTE

Sections 3 and 4 of this report synthesise the findings from a range of sources – literature as well as qualitative and quantitative research undertaken for this study. References for sources are identified in the References section at the end of this report.

The quantitative research is the largest single survey of the apprenticeship market ever undertaken in NSW. The samples are deliberately representative and large to ensure that the survey provides a robust and reliable source of data on which BVET can draw with confidence for its policy deliberations and advice.

ANALYSIS AND REPORTING

The team reported on each phase of activity to the BVET Apprenticeships Sub-Committee and at each stage tested the insights and findings emerging from the research. This report draws on the analysis of each research element and synthesises the findings; each section of the report brings together relevant insights from literature, focus groups, one to one interviews, discussions and quantitative research. The report is structured to provide clear indications about the most problematic aspects of the current apprenticeship market, model and system and the best opportunities for productive change.

TERMINOLOGY

Throughout the report, we refer to apprenticeship completions, apprentice commitment and employer retention rates.

In this study, apprentices can be differentiated by two completion factors:

- Retention – whether they are currently in an apprenticeship or have discontinued their apprenticeship
- Commitment – their intention to complete the apprenticeship and their own assessment of the likelihood that they will stick with it through to qualification

Employers are differentiated by self reported rates of success in seeing apprentices through to qualification. Because some employers in the sample have not been employing apprentices long enough to see them through to qualification, the employer differentiation factor is not simply completions but also retention, both:

- Retention of current apprentices in their workforce
- Retention of former apprentices through to completion

In NSW, apprentice completion rates have a specific meaning (defined as the percentage of apprentices within an intake cohort that complete their apprenticeship within a specific period of time). For the purposes of this report, we use the term employer retention rate to differentiate employer performance.

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SUMMARY OF KEY FINDINGS AND IMPLICATIONS

The goal of the research study was to identify the most productive opportunities for improving recruitment of apprentices, increasing retention of apprentices in work and training and increasing the number and proportion of apprentices who complete their training and gain a trade qualification.

As a concept, the model for a traditional or technical trade apprenticeship has remained largely unchanged for hundreds of years. Even in practice, the current apprenticeship model emerged in the 19th century and in all major elements remains substantially intact.

However, almost everything around it has changed. The social and economic context in which the model now operates – in terms of work, training, employment, labour market supply and demand – has changed almost beyond recognition particularly in the last 30 – 40 years. The expectations and experiences of employers and apprentices have also changed dramatically in that time.

By taking a market research approach to the issue – exploring how individual attitudes and values shape the way an apprentice or employer feels about an apprenticeship and how the experience of apprenticeship impacts on their motivation, commitment and decision to stick with it or not – we can gain new insights into employer and apprentice behaviours and identify some new options for change.

The findings from the research are summarised in subsequent sections of the report, focusing on what we have learned about apprentices and employers. This part of the report highlights some of the key findings and explores what they might mean for policy and practice. Five major clusters of issues have emerged from this study:

- Recruitment
- Fairness
- Employer practices
- Competency based progression
- Differentiation

3.1 THE RECRUITMENT POOL – APPRENTICES AND EMPLOYERS

GenY (and what is being called by some GenY+) makes up the bulk of the recruitment pool for current apprentices. It is a different generation from its predecessors and more challenging in the workplace for many employers. GenY apprentices are older, more secure, optimistic, mobile, fearless, strong on self belief, used to negotiating with adults, loyal to their tribe, believe they have plenty of options and accustomed to voting with their feet. They want and expect a different style of boss from the old apprentice master. Their expectations for an apprenticeship are not generally excessive or unrealistic (although some employers think so), just different.

Young people going into an apprenticeship are no strangers to work; they have already held down jobs at school or while studying. They see their apprenticeship first and foremost as a job, even if it is a different kind of job, and they judge their experience of the apprenticeship against their previous experiences of work. The apprenticeship does not always compare favourably.

For them, training at work is the norm; more than that, it is the expectation and a key factor in employer choice for GenY. Many have experienced training and employer support for skills development in previous part time jobs. To them, there is nothing special about being able to train or study for a qualification while working; good employers offer that.

The image of trades is not a problem for them. Young people who are committed to doing an apprenticeship really want to be in the trade and for over 50% of them in this study – those most likely to complete their apprenticeship – it is their first and only choice. The other 50% did not make an active decision; they took up an apprenticeship more by accident than design.

And this raises the first significant issue.

Government initiatives and incentives have largely focused on boosting intake numbers – marketing the apprenticeship concept as a way to address skills shortages, increasing the number of recruits into apprenticeships and providing incentives to encourage more employers to take them on. And it has been successful; numbers have increased by just under 40% over ten years.

The problem is that completion rates have not increased at the same rate and a third of current apprentices are now likely to discontinue their apprenticeship in their first year.

Essentially, initiatives have focused more on what could be described as the initial 'sale' of the apprenticeship product to employers and apprentices – getting young people started in an apprenticeship – rather than on the likelihood of completion, the aptitude or suitability of individual apprentice applicants or employers or the quality of the apprenticeship experience.

So the focus on intake numbers has effectively recruited many young people who are less committed, less well suited or less likely to complete the apprenticeship and recruited employers who are less likely to support an apprentice through to qualification.

The present research shows that:

- About a quarter of all apprentice recruits are not well suited to the trade or to the apprenticeship experience to which they signed up, very unlikely to complete and should probably follow another path; a further 20% are ambivalent about their current experience and don't rate their chances of completion highly. Many of these apprentices probably shouldn't have been recruited in the first place; the rest are having a fairly miserable apprenticeship experience
- Around a third of employers currently lack the appropriate attitudes or skills to employ an apprentice, many getting few or none of their apprentices through to qualification; they are quite negative about apprentices and are not providing sufficiently positive work or on the job training experiences for apprentices to learn effectively. If they are to continue employing and training apprentices and to

receive government support they will need assistance to improve their skills and develop more positive attitudes towards their apprentices

- Around a third of employers report that they see less than 70% of their apprentices through to completion and the research demonstrates that, beyond initial aptitude, it is primarily the experience of the apprenticeship on the job that makes the difference to retention and completion

IMPLICATIONS

These findings indicate that there is a significant opportunity to improve the numbers and proportion of apprentices that complete their apprenticeship with initiatives that focus on improving the quality and suitability of the pool from which employers and apprentices are recruited.

Some of the options are counter intuitive. For example, we could reduce wastage almost immediately. Even though it would mean cutting the raw number of apprentices and employers recruited, by initially limiting the recruitment pool to the candidates and employers who are best suited to participate in apprenticeships, completion rates would improve and the system would produce as many if not more qualified tradespeople at a considerably lower cost to government and business.

One of the basic rules of business is that you need to invest most of your resources where you are going to get the best return; the apprenticeship system could well do the same.

By focusing on those candidates and employers who are best suited to apprenticeships, experiences for both parties would improve. And both positive experience and positive word of mouth around the experience would provide the foundation for a steady increase in the number of employers and young people who are attracted, and committed, to apprenticeships.

There are other aspects of the recruitment pool where change could impact on apprentice completion rates:

- Increasing the competition for a smaller number of apprentice places, attracting those who have the most passion for the trade and are most committed to completion
- Developing tools to improve the match between apprentice and employer. As increasing numbers of apprentices are employed in relatively small businesses, the fit between employer and apprentice becomes more critical. Employers and apprentices are not all the same and good matching, where possible, will impact on likelihood of completion
- Investing in more effective careers advice and more effective screening tools for selection of apprentices. The research has identified a cluster of attitudinal factors that impact on the likelihood of completion and a series of value statements that effectively predict an apprentice's commitment to completion. Good advisory services could redirect candidates to more appropriate options if they are not well suited to an apprenticeship
- Structuring stronger and more effective pre apprenticeship opportunities that can assist young people contemplating an apprenticeship to develop realistic expectations about the apprenticeship experience and assist them to screen themselves in or out of the next step

- Strengthening the image of trades particularly among some cohorts of young people – and their parents – who would not normally consider a trade pathway as a valuable post school or post university option
- Providing additional support to those employers who are willing to take on an apprentice but who lack the skills, attitudes and experience to do so effectively

3.2 FAIRNESS

GenY apprentices have a strong radar for fairness, a concept of fairness that is about both perception and reality, both what they believe is fair and what they experience as fair or unfair.

It is overwhelmingly about the employment relationship – both parties, apprentice and employer, living up to their part of the bargain. The quality of off the job training, while important, does not appear to impact on the perception of fairness.

Essentially, the apprentice goes into the job with a set of expectations and for the majority, they are fairly realistic. For example, three quarters of the apprentices in this study say that they knew before they started that an apprenticeship would involve *'hard work, low pay and bad conditions'*. If the experience of the job and the workplace more or less measure up to apprentice expectations and if the boss treats them fairly and honestly, then the apprenticeship passes the fairness test. If the deal is fair, apprentices are willing to trade off some of the current disadvantages – like low pay, low status or repetitive work – for the long term pay off they believe will be delivered by a valued trade qualification.

And the reverse is true. If the apprentice's expectations are not matched by the experience, if their experience on the job is unfair, then other factors – like money, working hours or poor transport – start to matter more and start to undermine their satisfaction with the apprenticeship and their commitment to it. They begin looking for something better.

While apprentices go into their apprenticeship with a range of attitudes and expectations, more than half in this study express a passion for the trade and a strong commitment to completion. But it is their employment experience that determines whether or not they will see it through to qualification. Even for those who are less committed, more ambivalent about the idea of apprenticeship, it is the experience that tips them towards or away from completion.

Apprentices talk about a whole range of factors in the experience that can have a positive or negative impact on them. They don't expect everything to be wonderful and most are quite realistic about the working conditions, pay and standing of apprentices. They know some aspects will be tough – especially the low wages – but they believe strongly in the pay off at the end, their ticket to a trade and career opportunities. More than 85% in this study believe that the apprenticeship is a *'ticket to a well paid job'* and that they will see the pay off when they eventually get their qualification.

Essentially most understand the deal they are making. They are trading off a proportion of their wages for the opportunity to learn real and valued skills and to be paid to work while they are doing it. They know that the boss has to invest time in teaching them and that they can't generate much of a profit for the business in the early days but eventually they will know how to work in all the key areas of the



'a fair
apprenticeship'

The essential elements of the fair deal are:

- Varied and increasingly challenging work experience, so that by the end of the apprenticeship, the apprentice has experience across the range of trade work; no long periods of doing the same task or too much time spent on meaningless work
- Real on the job training, provided by a skilled tradesperson, someone who can coach and mentor the apprentice through skills acquisition, not leave them to work it out by themselves or expect them to be able to perform tasks for which they don't have the skills
- Good supervision, with increasing flexibility and autonomy but in the early months, no time left unsupervised or working alone
- Competency based pay and progression, based on skills and work performance and recognition for the apprentice's achievements and contributions, not an artificial time construct
- A good boss, someone who treats the apprentice as a human being and an employee, not a kid at the bottom of the ladder
- Good open communications between apprentice, employer, work colleagues and RTO
- Fair work practices including a contemporary workplace culture that prevents bullying and ensures safety

This issue is revisited in section 5.1.

trade so they can put up with some boring work or being at the bottom of the ladder for a while.

They also understand the employer's part of the bargain – to employ them, teach them the skills, give them real on the job training and support them through their study.

And in concept, it is a fair deal – there are trade offs and pay offs for the apprentice and the employer. But in practice, it doesn't always work out that way.

Fairness matters and is a major factor in completions. Apprentices will put up with a lot, including low wages, if what they get in return is fair, what they are entitled to expect as part of the bargain. If they don't get a fair deal, then any aspect of the apprenticeship – like pay, repetitive work or a lack of workmates – can become a source of dissatisfaction and restlessness and impact on their commitment and likelihood of completion.

Pay, by itself, did not come out as a major factor in commitment although one in four apprentices mention it as one of the worst parts of an apprenticeship. In qualitative research it emerged more strongly as an issue when other aspects of the apprenticeship were perceived as unfair or unreasonable.

The apprenticeship experience needs to pass the fairness test and the research demonstrates that it often falls short – sometimes because employers are uncertain about their obligations and responsibilities but also because some employers are not fulfilling their responsibilities fairly.

The deal should be the same, in principle, for everyone. What the research shows us is that across the different segments of apprentices, the experience of the trade offs and pay offs can be very different and some apprentices will move from a positive segment to an ambivalent or negative one based on the perceived fairness of their experience.

IMPLICATIONS

If fairness is the tipping point for commitment, the implication is that every apprentice is entitled to expect basically the same fair conditions of employment, training and reward.

That indicates a need to develop the baseline parameters for a fair deal, a set of criteria that go beyond broad concepts and spell out explicit expectations and responsibilities for each key element of the apprenticeship in practice – work conditions, work experience, on the job training, pay and progression, workplace practices and culture. This is critical in the first year and goes well beyond the current concept of a training contract.

The research also suggests that without significant support or new skills, some employers would not be able to meet their obligations under a fairness test.

There may be opportunities for government and industry organisations to work with employers to establish both the criteria for 'a fair apprenticeship' and to assist them to meet their responsibilities.

3.3 EMPLOYER PRACTICES

Research shows us that the experience of the apprenticeship is not only critical for the apprentice but also has a major impact on employers. Previous positive experiences increase both employer commitment to apprenticeships and the likelihood that their apprentices will get through to completion.

A number of aspects of employer business practice impact on the satisfaction and commitment of their apprentices and on the employer's capacity to employ an apprentice. With sound contemporary business practices, apprentices are more likely to complete and the employer is more likely to have a positive experience; when they are not, the reverse is true.

Some of these are issues of size. SMEs are less likely to have well developed recruitment criteria or processes and less likely to have a formal HR function; in fact 80% of employers in this study say that they are *'the HR department'*, there isn't anyone else. But recruitment and employment practices are critical to selecting the right apprentice for the business and retaining them. The least successful employers go on gut instinct – they do it all themselves and the result is that they are more likely to retain low numbers of apprentices through to completion.

Some issues are more based on personality, issues of management style and practice. The more traditional employers often struggle to manage their GenY employees and their expectations for a more egalitarian workplace and this impacts on employer satisfaction with the experience. However, when the match is right between personality and style of employer and apprentice, the results in small businesses are exceptional – 90% and more of the apprentices will complete the apprenticeship.

Money issues also have an impact. Interestingly, government incentives are not particularly important to those employers, small or large, who have the best retention rates and completions. They don't need an inducement to take on an apprentice or a subsidy to make the apprenticeship work for them in productivity or on the bottom line. Despite the conventional wisdom about returns on investment coming to employers only in the third and fourth years of an apprenticeship, the most successful employers in this study say that they can get a return straight away or at least by year two.

In contrast, the employers with the lowest retention rates and completions focus more on the money. They want higher government incentives, say that apprentices cost them money and that they can't get a return on their investment until year four. They are also more likely to say that apprentices are cheaper labour and that qualified tradesmen are too expensive.

About a third of employers do not currently demonstrate the kind of business practices or management style and skills to support a fair apprenticeship in their workplace or to get many of their apprentices through to qualification. There is a significant level of government investment, employer resources and apprentice time and dreams wasted away in these ineffective workplaces. This issue is addressed below.

IMPLICATIONS

Because nearly 80% of employers of apprentices (in this study) are in SMEs, many of these issues are unlikely to be resolved without support or intervention from government and industry. But they matter and it is probably time to take a more proactive approach.

The findings raise an important question – whether employers of apprentices should be required to 'pre qualify' and demonstrate their suitability before they are supported to recruit and train an apprentice or are eligible for government incentives.

The pre qualification criteria might include an assessment of:

- Contemporary business practices
- Relevant and contemporary skills to fulfil the training, work experience and supervision elements of the apprenticeship
- Commitment to a fair deal and a fair workplace culture
- Sound understanding of employer obligations and responsibilities

The research also indicates the need for training or professional development for those employers who could not currently meet such pre qualification criteria. Some of the least successful employers need to lift their performance substantially if they are to continue to employ apprentices. While a minority of employers may not welcome this, others will appreciate assistance to get the most out of their investment in apprentices. Industry bodies could play a role here.

Professional development could also include models for improving the return on investment and making apprentices profitable for the business in the earlier years of the apprenticeship. New models of ROI could encourage some new employers into the apprenticeship market if their previous reluctance has been based on the perceived cost of apprenticeships to the business.

3.4 COMPETENCY BASED PROGRESSION

Through qualitative research, the four year apprenticeship contract emerged as a source of significant frustration for some employers and apprentices. For both parties, it is an outdated model and to some extent an unfair one. Dissatisfaction is strongly linked to the issue of merit based progression in both level of work and wages.

Employers and apprentices know that training and assessment are now competency based and there are no degrees of competency – you are competent or you are not. How long it takes to become competent is different for each apprentice – while there are average times and benchmarks, some become competent much more quickly than others, especially when they are able to put skills into practice across a range of work experience.

So both employers and apprentices ask why, if competency is the basis for assessment and qualification, an apprenticeship has a fixed term. It doesn't make sense and it doesn't seem fair.

In theory an apprenticeship can be shortened but in practice, with limitations of off the job training courses and calendars, few apprentices manage to knock more than a few months off the four years.

In quantitative research, many employers indicated that they would like to see a shorter apprenticeship, one that is genuinely competency based, although they recognise that an apprentice is unlikely to get the range of experience they need in much less than three years. But a shorter apprenticeship would give them skilled and qualified workers more quickly to meet the shortages they are already facing.

Of course some of the most dissatisfied apprentices would also like a shorter apprenticeship – but that may be an option for reducing the pain rather than a realistic assessment of the rate at which they can develop skills.

Progression based on competency appeals to apprentices who see that it opens the door to merit based advancement in work and pay, something GenY values highly. The sooner they are competent, the more quickly they can earn more, do more interesting or varied work and move up the workplace ladder.

IMPLICATIONS

There are lots of reasons why competency based progression through an apprenticeship is not yet the norm but the combination of on and off the job training appears to be the major barrier.

The implications of progression on competency are significant for RTOs – greater flexibility in course schedules, assessment processes, recognition of prior skills and learning and provisions for ensuring sound underpinning knowledge.

There are also options for a greater role for industry bodies in assessment; while they are not a party to the primary employer apprentice relationship, they have industry interests in high quality skills at heart.

Action on the issue can't reasonably be postponed for long. Competency based progression is fundamental to apprentice perceptions of fairness and important to employer satisfaction with the experience of employing apprentices and the rate of return on investment. That in turn impacts on employer willingness to take on further apprentices. And that, combined with shorter apprenticeships, has the potential to impact relatively quickly on skills shortages.

3.5 DIFFERENTIATION – ONE SIZE DOES NOT FIT ALL

While it might seem like an obvious thing to say, apprentices and employers of apprentices are not all the same. The logical consequence is that the apprenticeship model works really well for some and not so well, or not at all, for others. The research has identified four distinct segments among apprentices and three distinct segments among employers. Those within a segment share many values and attitudes in common and respond in similar ways to their experiences; and they differ in these respects from their counterparts in other segments. Because of those differences, one size can't be expected to fit all, especially one size with no real margins for flexibility. These segments are outlined in detail in Sections 5 and 6.

IMPLICATIONS

The research shows that some of the differences between segments have a major impact on both the expectations and experiences of apprentices and employers and on the outcomes they achieve.

Some employers are highly experienced and skilled in apprentice employment, mentoring and training and need little or no support to get an apprentice through to qualification; and they can often do so in less than four years. Others need substantial assistance to structure the work and skills development experience and to manage their apprentices effectively. Without it, their apprentices are less likely to complete. And some employers currently provide neither the training nor an appropriate work environment to support apprentices through to qualification. The current apprenticeship system applies a single, relatively rigid model that does not distinguish between different kinds of employers and does not provide different levels of scrutiny, support or services.



One size does not fit all

In the same way some apprentices arrive with good foundation and employability skills and strong commitment, are capable of achieving competency more quickly than others and can develop an effective relationship with their employer; others need considerable support in the early years of their apprenticeship and in some cases, pastoral care. While apprentices may have access to some support through their RTO, the apprenticeship system does not sufficiently support different apprentice needs or accommodate the differences between employers or workplaces.

The implication of the research is that, in order to increase the numbers and proportion of apprentices who complete their training, the apprenticeship system will need to be more flexible to accommodate differences and provide a broader range of services to both employers and apprentices. It will need to identify those in need of additional scrutiny or support and provide services that increase the likelihood of apprenticeship completion. This of course raises resource questions that are not addressed here.

EVERYTHING HAS CHANGED (WELL ALMOST EVERYTHING)

4

The concept of apprenticeship can be traced back as far as ancient Egypt, the Roman Empire and the great master builders of early history. Revived and refined by the craft guilds of medieval Europe and modified during the industrial revolution, the core of the relationship between master and learner, employer and employee remained remarkably consistent – the apprentice described in Wikipedia as a *“learner of a craft (or trade or profession), bound to serve and entitled to instruction.”*

THE MODEL

The success of the model seems to have consistently relied on five core elements that were, and still are, designed to balance the costs and benefits for apprentices and their employers:

- The standing of the craft, trade or profession – leading to a desirable occupation that will be profitable, respected, worthwhile
- The opportunity for the apprentice to learn from a skilled person, a craftsman or practitioner whose skills are recognised, valued and in demand
- The obligation on the apprentice master to teach the apprentice the skills of the craft or trade, so that the apprentice benefits from active instruction and learns by doing under guidance, not simply by trial and error or by watching others
- A financial arrangement at a cost to the apprentice – a fee paid to the master to share the skills or low (or no) wages for the apprentice in recognition of the benefit of instruction and the time spent learning
- Recognition of the need for the employer to make a profit, based on lower wages, once the apprentice becomes productive (as a journeyman)

In essentials, it is a model that has successfully trained generations of traditional tradespeople and until recently, generations of people in other occupations and professions such as nurses, pharmacists, auditors and pilots.

And in essence, it is the core of the model we still operate today. While the apprentice no longer pays a fee to secure the apprenticeship opportunity and is certainly not expected to work for nothing, there is still a financial arrangement that acknowledges the cost to the employer and provides for some compensation through lower wages and government incentives and subsidies.

The other elements – the attractiveness and standing of the trade, the opportunity to learn from a skilled practitioner, the responsibility of the master to teach the apprentice and the period of return on investment for the employer – underpin the current model for apprenticeships in Australia.

So if it is a model that has worked successfully for centuries, why is it no longer producing the outcomes that we want and expect, and in which we are investing substantial public funds?

4.1 WHAT'S CHANGED?

Qualitative and desk research suggests that while the apprenticeship model of learning and work may not have fundamentally changed, many of the key social and economic factors that impact on the two key parties – apprentices and their employers – have.

Most of these factors are already well known but it is not their impact on the apprenticeship system that interests us, it is their influence or effect on the individuals involved that we wanted to explore. We wanted to understand how – or if – these factors have changed the way that apprentices and employers now think about an apprenticeship or have influenced the way that they respond to their experiences. This is the different 'lens' we used to look at the social and economic environment to see if it might reveal something new or useful.

THE WORLD OF WORK HAS CHANGED

While trade qualifications are still highly desirable and much in demand, many young people's expectations for the kind of work they will do – and therefore the kind of post school qualification they might undertake – have changed. And so have the expectations of their parents.

Essentially, in the last thirty years there has been a massive shift towards white collar industries and occupations and an accompanying expectation among many young people that they are more likely to work in management, administrative and service jobs or in some kind of service industry.

So at a basic level, today's recruitment pool is made up of young people who have more options and who recognise that while an apprenticeship might be one of those options, it has to compete with other choices.

At the same time, employer philosophies and practices have changed. The 80s and 90s saw a significant move away from the concept and cost of a permanent workforce and towards outsourcing, subcontracting and casual staff. As a result, there has been a significant change in patterns of employment over the last 30 years:

- Fewer people working in full time jobs (from 79% to 67%)
- More people working in part time jobs (from 14% to 28%)
- More people working as contractors or sub contractors (marked in the traditional trades)
- More people working in an SME rather than a large private or government organisation (also marked in traditional trade jobs)
- Greater expectations for several careers or occupations over a working lifetime
- No expectation of a 'job for life'

In the 21st century, young people in their first serious job are not newcomers to the world of work. They are more likely than previous generations to have work experience before they leave school or finish post school studies. Many have had part time jobs after hours and at weekends, gap year employment or simply a period of work before making their choice of post school pathway. In 2004 about 50% of

full time students had part time jobs and about 70% of part time students were working full time.

Current employers who were apprentices themselves (in the 70s and 80s) were far more likely to go straight from school into their apprenticeship, at the age of 16 or 17, and without much, if any, previous work experience. They were green and knew it; so did everyone else.

Most current apprentice recruits are not green, and know it; they already have some skills and work experience on which to draw. Young people know what it is to go to work, to earn a wage, to follow established workplace practices and to get on with colleagues or work in teams. If they have been employed in one of the large franchise fast food, retail or service businesses, they have probably worked for minimum wages but have also experienced training, been given responsibility and been promoted for good – or sacked for bad – performance. They are also more likely than earlier generations to have participated in some kind of school based work experience program or a VET in schools program.

From the qualitative research, it is clear that GenY apprentices see an apprenticeship, first and foremost, as a job and they judge it as one. They value the training and the opportunity to get a qualification while working but it is still a job and they have experience of other jobs and other workplaces against which to judge their employment as an apprentice. The workplace experience is the most significant factor in their satisfaction.

LEARNING AND TRAINING HAVE CHANGED

Experiences and expectations for learning and training have also changed.

Over the last thirty years, there has been a steady increase in the number of young people staying in school beyond the age of 16; a significant proportion go on to further full or part time study at university or TAFE to achieve a qualification before starting a career or full time work.

The age profile of young people starting a traditional or technical trade apprenticeship has increased over the last 15 years. The numbers starting at 19 years or under has been steadily dropping, from around 80% to around 60% and the numbers starting an apprenticeship over the age of 25 have been steadily increasing, from under 5% to almost 20% (in 2009).

The training system for apprenticeships has changed dramatically in 20 years, with the introduction of competency based training, Training Packages, User Choice and New Apprenticeships. It bears little resemblance to the system that apprentices in the 70s and 80s – the current employers – would have experienced.

Learning at work has also changed. Until the 1980s, young people were more likely to complete a qualification before they started work (through university or TAFE or similar) or in their own time while working (through part time or distance study). The only real opportunities for gaining a qualification while working were through an apprenticeship or its equivalent in some professions (pharmacy, law, accounting, nursing for example).

Around the same time, as a result of changing employment practices, employers had to develop different options – different from the offer of a 'job for life' – for

attracting and retaining good staff and acquiring skills for future competitive advantage. Training and professional development became a key incentive. Booming demand for post graduate and occupationally specific qualifications meant that people in their twenties and thirties had the opportunity to develop new skills or study for qualifications with direct financial or other support from their employer – access to internal training programs or internships, loans or subsidies for fees, time off to attend courses or take exams.

To some extent, this has become common practice – it has certainly become the expectation of many of today's young employees, so much so that access to study and training has become one of the leading factors in their assessment of employers of choice. GenY is a generation of lifelong learners; 90% of them say that regular opportunities for training and professional development motivate them to stay with an employer; the lack of development opportunities is a strong predictor of churn among GenY employees.

The opportunity to learn and study for a qualification while working is no longer exclusive to a handful of trades and professions. It is the norm. GenY workers expect a job to come with training and opportunities for professional development and further qualifications. An apprenticeship is not 'special' in that sense.

SUPPLY AND DEMAND HAS CHANGED

Many of today's employers or supervisors of apprentices would have served their apprenticeship in a large organisation, one that had apprentice supervisors on staff and recruited and trained significantly more apprentices than they would eventually want or need to employ as skilled tradespeople. These massive engine rooms of trades training in NSW – like State Rail and BHP – invested in training to some extent as a public good, with a level of enlightened or benevolent self interest, giving young workers a start and producing hundreds of qualified tradespeople for their industry.

While economic cycles had an impact on recruitment, in major industrial centres like Newcastle and Lithgow with their strong tradition of trades training, there was plenty of competition among young people for apprenticeship places. Large employers retained their best apprentices in their workforce.

Many of these centres of apprentice training have disappeared along with the large cohorts of apprentices and their full time apprentice supervisors. Many big organisations now outsource or subcontract much of the work that needs to be done by qualified tradespeople and expect (or perhaps assume) that subcontractors will be recruiting and training apprentices to maintain the stock of trade skills.

The large apprentice employers have been mostly replaced by smaller organisations employing smaller numbers of apprentices at any one time. And employer size matters – findings from this study demonstrate that apprentices working for smaller employers are less likely to have a favourable experience.

Apprenticeships are still attractive to young people and despite the reducing size of the population pool from which to draw recruits, there are plenty of young people considering the apprenticeship pathway. But there is now a real shortage of places for them to work and train and GenY is both choosy and optimistic – they don't take the first thing that comes along, or if they do they are still keeping their eyes open for something better.

While Group Training Companies have taken up some of the demand for apprenticeships, in some trades each year there are more young people wanting to do an apprenticeship than the number of apprentice places available.

Despite skills shortages, many employers prefer to 'buy in' established skills rather than train their own apprentices. Even when they do employ apprentices, only around half say that they have been doing so to develop skilled workers for their own organisation or their industry. The other half is buying in young – and cheap – labour.

The source of the mismatch between demand and supply appears to be a mix of factors. Demographers suggest that skills shortages reflect broader population issues, others suggest that it is more about a lack of employers willing to take on apprentices and invest in managing and training them, to take on the challenge of employing GenY apprentices and make the apprenticeship work for their business.

YOUNG PEOPLE HAVE CHANGED

A lot has been written about the style, attitudes, behaviours and expectations of young people in the new century – GenY, and now GenY+. They are different from their predecessors and they are having a big impact on the conventional wisdoms about work and life. They make up the pool from which we are currently recruiting apprentices into traditional and technical trades so how they think and behave, what they want and value, what influences and motivates them, matters to this project.

Low birth rates a generation ago are having the effect of reducing this pool of young people from which we draw young apprentices. The working age population is expanding, but at a reducing rate. The combination of demographic factors is changing the power balance between employer and employee; employers can no longer simply replace a skilled employee or a good apprentice. The supply side has more muscle now.

Bernard Salt, Australia's leading demographer, describes a number of key characteristics of GenY. They:

- Have only ever known a world of gently ascending prosperity
- Are optimistic and fearless of the future, often supported directly or indirectly by a parental safety net and twice as likely to live at home in their 20s as previous generations
- Have well developed skills of negotiation, growing up in smaller families and used to dealing with adults from an early age
- Have strong self belief and look for personal satisfaction, believe they have plenty of options
- Are worldly but not cynical, networked and connected into what is going on in their environment
- Live for today, spend what they earn, are less likely to save and less inclined to make long term commitments; they defer major decisions (like marriage and mortgage) to later in life
- Are known also as Generation Debt, with the combination of student loans, easy credit, excessive spending, no saving; money matters to them but it's not the most important thing
- Are highly mobile, have itchy feet, expect to move around and to travel



**GenY is both
choosy and
optimistic**

- Are intensely loyal, although not to the same things as their parents; they are loyal to friends, brands, cultural icons but not to those employers who fail to measure up
- Have a clear preference for tribal social structures, relying on friends, peers and workmates as a primary point of reference; but they also consistently look to their parents for advice

GenY is bringing a very different cohort into the workplace. Drawing on the work of Bernard Salt and others, it seems that GenY characteristics, attitudes and values play out in a number of ways at work. Gen Y employees:

- Expect to change employers many times during their working life; around 60% expect to stay with their current employer for less than two years and today's teenagers are likely to have had at least five jobs by the time they are thirty. GenY is not looking for a 'job for life' and doesn't want one
- Expect, even with a clear vocational pathway like an apprenticeship, to have further opportunities after qualification to expand their knowledge and skills and complete further studies and qualifications
- Are always on the look out for something better, even if they have already invested significant time in training or skill development in their current role; they are looking for opportunity and recognition
- Want the scope to rise and fall on their own abilities, like merit based pay and progression and want some measure of autonomy at work, not to have someone always looking over their shoulder
- Crave feedback and positive reinforcement; a good boss is one who mentors rather than micro manages or instructs, who values employee input and engagement rather than requiring them to do as they are told
- Are relatively fearless of authority, happy to speak up and don't respond well to inflexible hierarchical structures
- Value flexibility, especially in working hours and arrangements; sport, hobbies, friends, travel are all just as important to them and flexibility, including using new technologies to work from home or work outside traditional business hours, gives them choice
- See work as a passenger, not the driver, of their lives and expect better work life balance than their parents
- Have little patience with or loyalty to 'bad' employers or 'bad' workplaces, will quit unrewarding work and are optimistic about their ability to find another job or a better one

This combination of characteristics is challenging many employers. They express incredulity at GenY expectations and demands and frustration at their mobility but at the same time seem to envy their optimism, ability to balance work and life outside work and capacity to postpone major commitments.

Unfortunately, many employers lack the skills and work practices to get the best out of GenY employees, to motivate and retain them or to use their fearless and innovative approach to new tasks to best advantage. As a result, about a quarter of all businesses experience an annual churn of around 30% among their GenY employees.

THE IMAGE OF TRADES HAS CHANGED (OR HAS IT?)

A number of factors are regularly cited as reasons for the reducing attraction of trades training and trade skills shortages; these include parental influence, GenY aspirations, the image of trades and the difference in lifetime earnings and lifestyle outcomes between trades qualifications and university degrees.

The image issue raises plenty of questions:

- Did previous generations of tradespeople take up an apprenticeship simply because they had no other options, or no opportunity to go to university or pursue another career? It is probably true for some, but not for all
- Is the competition from the prospect of a university degree and a 'white collar' career too strong to attract good recruits to traditional trades? Is 'clean' work inevitably more attractive than work where you get your hands dirty? It's possible but there are certainly apprentice recruits who have the choice between trades training and university and choose the apprenticeship pathway. There is a slow, steady increase in the number of young people who complete trades training and go on to study for a tertiary degree. But there is also a small, slowly increasing number of young people who follow the pathway in reverse, completing their degree first then taking up an apprenticeship in their twenties
- Are skilled tradespeople born (or raised), not made? There is plenty of evidence for a strong family or neighbourhood tradition of trades training; it gives young people a high degree of familiarity with trades and tradespeople, an interest in the work and a kind of rusted on career pathway. This is apparent in some geographic centres, the blue collar 'hot spots' of NSW, and outside these hot spots, growth in demand for skills is not matched by demand for apprentice places. Most young people entering an apprenticeship say that they have 'always wanted to do that kind of work'. Many in this study also say that they are attracted to an apprenticeship because they want to work with their hands or work out of doors – which may be a different kind of motivator.

Are skilled tradespeople born (or raised), not made?

4.2 WHAT HASN'T CHANGED?

Despite these significant changes in the macro context of apprenticeships, other factors that impact on the apprenticeship experience appear to have remained relatively consistent over the last decade.

THE TOTAL EXPERIENCE MATTERS – AND ALWAYS HAS

At the micro level of individual experience, some things have changed but many have not. Ten years ago, NCVER published research that looked at key factors that contribute to the retention of apprentices and impact on the completion of apprenticeships. They are well known, often cited and still matter to individual apprentices; they are still a major influence over the apprentice's likelihood of completion. Many of the same factors emerged through the 2010 BVET qualitative and quantitative research. Interestingly, in neither study do low wages emerge as the major issue.

They NCVER-identified factors include:

- Personal commitment (of the apprentice)
- Support from family
- A good first placement
- Previous positive experience
- A good supervisor

The 'conventional wisdoms' include:

- Lack of motivation or commitment among current young apprentices, cited as a reason for apprentices terminating contracts of training or changing employer
- Low wages, cited as a reason for apprentices changing employer or occupation, looking for more money and something better
- GenY attitudes that are seen to be unrealistic and cited as a reason for high levels of apprentice mobility, employee churn and employer dissatisfaction with an apprentice
- Length of apprenticeship contract, too long to sustain the commitment of GenY apprentices, cited as a reason for early terminations
- Poor workplace practices, cited by apprentices as a reason for changing employers
- The low return on investment for employers in the first two or three years, cited as support for continuation of a four year training contract to ensure that employers get their 'payback' period
- The need for greater – and earlier – investment from government, particularly in employer incentives and subsidies, to compensate for the cost of training and low apprentice productivity
- Limited range of experience and skill development opportunities for apprentices who are working with SMEs, cited as a reason for turnover of apprentices in small workplaces

- Positive workplace culture
- Participation in structured training
- Reliable transport
- Available alternative pathways
- Perceived value of the qualification

These are a combination of internal factors – the attitudes, values, perceptions and behaviours of individuals – and external factors – aspects of work, training and the workplace and the way that individuals experience them and respond to them. While at times, the relative importance of each factor may change, in essence these remain the factors that have the most significant impact on an apprentice's commitment to completion.

THE 'CONVENTIONAL WISDOMS'

A review of a range of submissions and reports on apprenticeships identifies a number of recurring themes, 'conventional wisdoms' that are regularly cited as the reasons for poor outcomes from the current apprenticeship system. Despite a lack of rigorous evidence, they continue to appear in arguments both for and against change.

The findings of this study support beliefs about the negative impact of poor workplace practices and limited work experience but bring into question beliefs about the impact of GenY expectations, low wages or government incentives.

4.3 QUESTIONS AND IMPLICATIONS

Skills shortages have been a growing issue for the past 30 years throughout a period of significant social and economic change in Australia and around the world.

The apprentice of the 1970s and 1980s grew up, worked and trained in a very different environment than the apprentice of today. Around the fundamental elements of the apprenticeship model of learning and work and around the relationship between apprentice and employer, at a macro level almost everything has changed – and is still changing:

- Education and training have changed
- Employment and business practices have changed
- Employers have changed
- Young people have changed
- Attitudes, expectations and opportunities have changed

The core question concerns the impact these changes have on the effectiveness of the current model. Are they factors that can be addressed through adjustments to specific aspects of the current system, by oiling and maintaining the machinery of apprenticeships in Australia? Or is their impact significant enough to warrant substantial structural change to the design and operation of the system, updating and upgrading the machinery to do the same job but to do it differently to produce a better outcome? Is it the apprenticeship concept that is at issue or is it the way that the concept is implemented in practice? The answer is probably both.

The following sections summarise the responses of individuals in the apprenticeship market – employers and apprentices – to questions about their attitudes, expectations and experiences of apprenticeships and the extent to which a current apprenticeship meets or satisfies their expectations. As we would expect they do not all respond in the same way. The result is a meaningful segmentation of the market that differentiates segments of employers and apprentices and identifies how factors that differentiate segments impact on apprenticeship completions.

THE APPRENTICE MARKET

5

With around 45% of current apprentices discontinuing or failing to complete their apprenticeship, both government and industry are getting a poor return on their investment in the apprenticeship system.

For the research project, the critical questions focused on identifying and understanding the factors that predict or impact on an apprentice's likelihood of completion, the factors that influence them to stick with it or give it away. Is apprentice 'stickability' an issue of aptitude or experience, attitude or ability, motivation or money?

The qualitative and quantitative research samples included both current apprentices – nine out of ten in their first apprenticeship – and discontinued apprentices and the samples were constructed to reflect relevant demographic variables such as location, age, gender and cultural background to ensure that the findings are valid and representative.

Apprentices are not all the same and there are distinctly different segments among the current cohort, segments that differ from each other in attitudes and values, expectations, intentions and behaviours. And while apprentices identified a range of factors with greater or lesser impact on their individual commitment to the apprenticeship and their perceived likelihood of completing it, there is one issue that appears to underpin them all, one issue that emerged strongly as a unifying rationale for their responses.

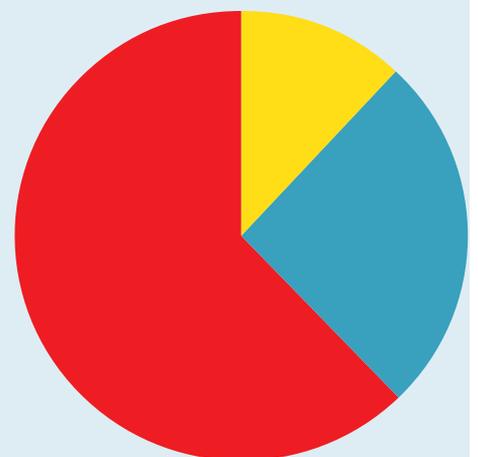
It is their perception of the fairness of the 'deal', the bargain that is struck through the apprenticeship contract and how employer, RTO and employee live up to the roles and responsibilities they have as part of that deal. Fairness is the tipping factor in commitment. This issue of fairness has already been explored in Section 3.2. The qualitative and quantitative research summarised below provides some more detailed insights into the factors that impact on apprentice perceptions of fairness.

5.1 COMMITMENT AND INTENTION TO COMPLETE

To understand how perceptions of fairness impact on apprentice decisions and behaviours, we first want to know how apprentices themselves perceive their level of commitment to the apprenticeship and how they assess the likelihood of completing it.

In the quantitative study of 1,200 apprentices (current and discontinued), participants assessed their level of commitment to complete (at the time of the survey). This assessment produced three distinct groups.

- Committed**
62% of apprentices say that they intend to complete the apprenticeship, rating their likelihood of completion at 8 out of 10 or more
- Ambivalent**
12% of apprentices question their likelihood of completing the apprenticeship, rating their chances at 7 out of 10 or less
- Discontinued**
26% have already discontinued their apprenticeship, with around half intending to sign up for another apprenticeship (which indicates a level of commitment)



Comparing these figures with actual completion rates in NSW, we could expect that in addition to those in the Discontinued group, many of the Ambivalent apprentices and perhaps 10% or more of those currently in the Committed group will terminate their apprenticeship before completion.

So our questions then focus on what builds or reinforces the commitment of those who complete and what tips the balance for the remainder to discontinue. It is both their expectations on entry to the apprenticeship and their experience at work and how that measures up, both against expectations and against the yardstick of fairness that determines the outcome.

Committed apprentices are experiencing pretty much what they expected and see their boss and workplace living up to their side of the bargain. The deal seems fair and they can see light at the end of the tunnel. Ambivalent and uncommitted or discontinued apprentices see their experience as unfair in one or more respects and feel that the trade off probably isn't worth it.

Many employers say that GenY apprentices have completely unrealistic expectations – both on entry to the apprenticeship and during the apprenticeship experience – and that is why completion rates are so low. But the research suggests otherwise.

5.2 EXPECTATIONS ON ENTRY

The current generation of young people is looking for three core elements in work – and they think of an apprenticeship as a job, even if it is a job with a difference:

- Good or at least fair working conditions
- Opportunities to keep learning
- Work life balance

These are the expectations that current apprentices bring with them when they start; but they are also fairly phlegmatic about what these expectations mean in practice in an apprenticeship.

GOOD OR FAIR WORKING CONDITIONS

In terms of good, or fair, working conditions, committed apprentices in this study were far more likely to be realistic about what to expect, especially in the first year, and to:

- Have a strong interest in the trade
- Want to work with their hands or out of doors
- Believe in the long term pay off in terms of pay and prospects
- Say that they were determined from the outset to finish the apprenticeship
- Expect hard work, low pay and bad conditions and see them as part of the deal, at least at the start
- Consider the apprenticeship contract as broadly fair, given what they get out of it at the end

These apprentices already have plenty of experience being at the bottom of the ladder, doing what they describe as the 'shit work' – they expect it in the first year.

They also expect low pay, especially in the first year, but they don't expect to be 'slave labour' or to do lots of extra hours without overtime pay. That is seen as unfair. They also expect their pay to improve, based on their performance. Bad pay is one of the top two reasons that discontinued apprentices give for terminating their apprenticeship.

Respect is an important element in the apprentice's assessment of working conditions. They know they are at the bottom of the ladder but that shouldn't mean that they are treated with disrespect or bullied or asked to do unreasonable tasks. They want a 'good boss' and that is one who values them and treats them like a real person, not someone who gets angry for no reason or just tells them to do as they are told. The expectation of respect is a critical component in GenY expectations for fair treatment.

They also expect their pay and working conditions to improve, particularly by their second year, and to reflect their increasing value to the business.

LEARNING

Learning is a core part of the deal. They come into the apprenticeship with a strong expectation that they will have real learning opportunities at work; they know that they can probably get a better paid job elsewhere but they are trading off some of their pay for the opportunity to learn from skilled tradespeople. They also know that it is part of what the boss has signed up for, so if they spend too much time doing unskilled work and not learning new skills that is seen as unfair. Committed apprentices are more likely to agree that their boss is doing what he's supposed to do in terms of pay, working conditions and teaching.

WORK LIFE BALANCE

Work life balance is a more difficult expectation to unpick. Part of it is about having a social life and apprentice expectations are more easily met if they have a peer group at work; it is one reason why smaller workplaces have a harder time retaining apprentices. People to talk to or help solve problems at work are important.

Part of it is also about working hours and flexibility. Most new apprentices expect and accept early starts but would like some flexibility about hours, especially if transport is an issue. They also expect a good boss to be a bit negotiable when something important comes up in their personal lives. That seems fair.

OTHER FACTORS

Apprentices also bring with them other attitudes and aspects of their background that impact on their expectations on entry and their intention or likelihood of completion.

- **FAMILY BACKGROUND:** those apprentices with family or friends in trades appear to enter the apprenticeship with more realistic expectations about working conditions and pay and to have a strong sense of the value of the trade and the pay off at the end of the apprenticeship
- **LEARNING PREFERENCES:** most apprentices say that they are not interested in further education, going to college or university, that they want to start work but they also want to keep learning, just not in a classroom

- **OPTIONS:** apprentice perceptions about other opportunities open to them and their expectations for mobility or changing jobs also impact on their level of commitment. Those who expect to change jobs many times are more likely to be ambivalent about the apprenticeship, even at the start. Not surprisingly, those who say they 'fell into' an apprenticeship or didn't have another plan are more likely to be ambivalent or to discontinue the apprenticeship than those who always wanted to learn the trade and always wanted an apprenticeship
- **PREVIOUS WORK EXPERIENCE:** the more jobs an apprentice has had before starting an apprenticeship the less likely they are to be committed to completion; whether this is an indication of restlessness or whether they simply have more to compare with the apprenticeship is not clear, but a third of ambivalent and almost two thirds of discontinued apprentices have had five or more jobs before entry whereas only a quarter of committed apprentices had a similar level of previous experience

ENTRY LEVEL FACTORS

In the market segmentation element of the research, we identified seven distinct factors around entry to the apprenticeship that impacted on attitudes and expectations and differentiated one segment from another:

- **BACKGROUND**, including family, learning and work experience
- **PASSION FOR THE TRADE**, the 'first choice' option
- **APPRECIATION OF THE PAY OFF** at the end of the apprenticeship
- **REALISM** in expectations about the apprenticeship
- **OPTIONS** for mobility, plans and perceived value of different choices
- **READINESS TO LOOK FOR SOMETHING BETTER**, more challenges or different work
- **WORK STYLE**, preferences for hands on or outdoor work

This combination of factors and expectations provides a solid basis for screening potential apprentices in the first round of a recruitment process and making some assessment of applicants' suitability and aptitude for an apprenticeship.

5.3 EXPERIENCE OF THE APPRENTICESHIP

Once they are in the apprenticeship, there are four critical elements in their experience against which they assess the essential fairness of the apprenticeship:

- Good working conditions
- Fair pay and progression
- A good boss
- Real skills training

While some apprentices will discontinue because their expectations for fair working conditions, learning and work life balance were unrealistic and unachievable, for the majority of apprentices it is the experience on the job, how it pans out in practice

that determines whether or not they will complete their apprenticeship. It is the experience that determines whether or not the apprenticeship is a fair deal.

Their experience fills in the colour and detail of these expectations, and apprentice responses provide insights into the way that they assess the quality and fairness of their job.

GOOD WORKING CONDITIONS

The apprentice view of good working conditions means that it gets better further into the apprenticeship. If an apprentice expects the first year to be tough, then by the second year it should be getting much better. That means more meaningful work, less unskilled or repetitive work and less time being inactive or bored or simply driving the truck. They want to see a level of give and take, especially if they have proved themselves hard working and reliable. Most of all they expect increasing responsibility and to rise or fall on their abilities. Many of them already have experienced merit based promotion and advancement in previous jobs and they expect the same opportunity in their apprenticeship.

GenY apprentices do not expect to be serving time; they expect to progress as fast as they are able and to be given harder work, better work and more responsible work as soon as they can demonstrate that they are capable of it. They also expect to earn the respect of their boss and their work colleagues but at the same time, to have access to a friendly ear if they have problems to sort out.

FAIR PAY AND PROGRESSION

Pay is strongly related to working conditions. Apprentices don't expect to be stuck with artificial pay structures based on time served or the pay rates of their peers; that just doesn't seem fair. They want merit based pay and progression and they are not afraid of it – if they are capable of better work, more valuable or skilled work, then it seems only fair that they should be paid according to their abilities. They also expect to be rewarded for going the extra mile although that could be a reward in pay or in some additional flexibility – 'a bit of slack about being late', as one apprentice put it.

Interestingly it is not only the money but also what the money represents that matters. For the most committed apprentices, merit or competency based pay is recognition of their motivation and achievements; for some discontinued apprentices, artificially structured pay scales are symptomatic of other unfair aspects of the contract.

A GOOD BOSS

A good boss is the most important factor and for GenY a good boss is a mixture of employer and parent. Again respect comes to the fore, someone who is involved with their employees, treats the apprentice like a human being and takes a real interest in their progress and their ambitions. A good boss is someone the apprentice can talk to and look to for advice as well as direction, someone who gives them increasing responsibility, recognises initiative and is not too hierarchical – a boss with an authentic rather than authoritative approach.

Most of all a good boss is one who keeps the employer's side of the bargain, who knows what's going on and does what they are supposed to do in terms of pay,

As one apprentice said, "I want to be able to look at a building and know I can wire it, top to bottom."

'I learned that way so that's how you'll learn'

conditions and learning at work. They earn loyalty and GenY gives no loyalty to fakes or cheats. Honesty matters to them; and if they see the boss cutting corners or cheating others, they think that there's a fair chance that they could be cheated too.

Unfortunately, among ambivalent and discontinued apprentices the experience with the boss is some way from this expectation. They describe employers who are old fashioned, get angry and yell a lot, expect employees just to do what they are told and are uninvolved or disinterested in the progress or problems of their employees. They feel cheated when bosses don't recognise additional effort or pay for overtime and lose respect for the ones that don't fulfil their responsibilities, who leave them to work unsupervised or expect them to do work that is beyond their current skills.

As more apprentices now work in smaller organisations, the impact of the boss is more keenly felt. The style, personal and management qualities and work practices of the boss are dominant factors in the apprentice's sense of fair treatment at work.

REAL SKILLS TRAINING

Learning at work is the final element that is fundamental to apprentice perceptions about the fairness of the experience. Real on the job training, learning new skills at work under supervision – this is a key element of the deal and a critical component in apprentice satisfaction. Apprentices have made the commitment precisely because this is the way they want to learn their trade. They don't want to sit in a classroom, they want to know that at the end of their apprenticeship they can really do the job and be good at it. As one apprentice said, "I want to be able to look at a building and know I can wire it, top to bottom."

However, GenY apprentices do expect a different style. They have a strong preference for coaching and mentoring over instruction; this is a challenge for many employers but when the boss says 'I learned that way so that's how you'll learn', apprentices say that is simply not good enough.

Committed apprentices feel that they are really learning as much as they can and should at work and they get far more hands on experience at work than at TAFE; the more they can do, the more responsibility they get and the more opportunities and challenges they are given at work. Discontinued apprentices say just the opposite.

Unfortunately, a significant proportion of apprentices do not feel that they are learning enough at work, that they spend too much time working alone or unsupervised and that means they are not learning new skills from a qualified tradesperson. And that is simply not part of the deal.

Apprentices are also frustrated by the time based structure of progression. They know that their skills are assessed against competencies but they are stuck with a rigid time based training contract. If they have the skills, they are competent and they want to be able to progress – in terms of work, responsibility and pay – based on their competence, not the length of time they have served. If they can't, that also seems unfair.

EXPERIENCE FACTORS

In the market segmentation element of the research, we identified four distinct factors around the experience of the apprenticeship that impacted on attitudes and behaviours and differentiated one segment from another:

- **THE BOSS**, someone who shows respect, is involved with their apprentices and keeps their side of the bargain
- **LEARNING AT WORK** including the quality of on the job training, variety and level of experience and increasing responsibility at work
- **THE WORK ENVIRONMENT** including a peer group, people to talk to, management style and working conditions
- **TAFE** including the quality of off the job training and teachers (although these were not significant differentiating factors)

FAIRNESS REVISITED

When we look at these entry and experience factors again, through the lens of fairness, it is more apparent why perceptions of fairness can tip the scales of commitment.

If an apprentice wants to learn the trade, is fairly realistic in their expectations about pay, working conditions and training, knows what they are signing up for and knows what they are trading off, they are more likely to stick with the apprenticeship and complete it. If they understand what they are entitled to expect, what the deal is – and the experience matches the expectation – they are much more likely to complete.

But if the employer fails to live up to their side of the bargain – in terms of pay and working conditions, recognition of achievement, training on the job and supportive workplace practices and culture – then the apprentice is not getting a fair return for trading off some benefits. They are likely to look for something better – an apprenticeship with a better employer (and about half do), a better job or a different pathway. The work experience has not passed the fairness test.

If the assessment process also fails to live up to the bargain – in terms of progression based on competency and skills not on time served – that also seems unfair.

PREDICTORS OF COMPLETION

Analysis of apprentice responses to 49 value questions in the quantitative survey enabled us to identify those questions that most effectively predict an apprentice's likelihood of completion and membership of one of the three broad clusters – Committed, Ambivalent or Discontinued.

Apprentices with the strongest commitment to completing their apprenticeship are most likely to say that they:

- Have a real passion for this trade
- Are not just trying out this trade to see if they like it
- Don't expect to change jobs a number of times over their working life
- Are very happy to call themselves a tradie
- Have lots of family and friends who work in trades

Those least committed to completing their apprenticeship say the opposite.

Committed apprentices, those who intend to complete their apprenticeship, identify six factors that underpin their commitment; in order of importance, they say that they:

1. Think their boss is a very good boss
2. Think the way they are treated at work is very fair
3. Have enough people at work to socialise with or just talk to
4. Are trusted at work and given lots of responsibility
5. Knew exactly what they were signing up for when starting the apprenticeship
6. Get more hands on experience at work than at TAFE

Discontinued apprentices say the opposite. They rate the factors, in the negative, in the same order of importance.



It's what they always wanted to do.

Positive attitudes, positive experience

Most committed, most likely to complete

Prefer on the job training

Value support of family, friends

Happy with a four year apprenticeship

Never really thought about giving up

Younger (<21)

5.4 APPRENTICE SEGMENTS AND PROFILES

Based on apprentice responses in the quantitative survey to 49 value statements, the research identified the seven entry factors and four experience factors that enable us to differentiate groups of apprentices from each other

Within a group or segment, apprentices share a number of common values, attitudes and behaviours that characterise the group and differentiate one group of apprentices from apprentices in other segments. Each segment is different.

The data identified four distinct segments in the apprentice market, differentiated from each other on two parameters – their values and attitude towards the apprenticeship on entry and as a result of their experience, and their level of commitment to completing the apprenticeship:

- Made for a trade
- Contented stayers
- Accidental apprentices
- Square pegs

MADE FOR A TRADE (26%)

These are the apprentices every employer wants – they come with the most positive attitudes both to the apprenticeship and to the trade and they are the most positive about the apprenticeship experience. They are the most committed apprentices, most likely to complete and if they don't, it will be the boss's decision, not theirs.

Made for a Trade apprentices tend to be highly motivated young men, generally under 20 years and in their first apprenticeship – this is what they really want to do and they aren't interested in another kind of job. They haven't had a lot of other jobs, unlike some of the apprentices in other segments.

They are familiar with trades and tradespeople and they want the trade qualification; they believe strongly that the trade off they are making now in terms of wages, working conditions and lifestyle will pay off in the end. It's a good deal.

They value the long term job prospects of being a tradesman and don't believe that they will be worse off than their peers who go to university to study for a degree. They believe a trade will bring them prosperity, security (if they want it) and importantly, some independence and mobility – they can work anywhere in the country, or the world, or work for themselves and that looks good to them.

The apprenticeship style and structure also suits them. They went to a school that was positive about the apprenticeship pathway and they have no interest in going to university; they don't want to sit in a classroom and they like on the job training, working with their hands or out of doors. They are more likely than apprentices in other segments to live and work in regional NSW.

They are enjoying their apprenticeship – it's what they've always wanted to do. They think they have a good boss who treats them with respect and is involved with their work and training; they like learning on the job and feel that they are learning as much as they should; their work experiences are positive and they enjoy having workmates around. They also like their time at TAFE and think their TAFE teachers are good. The worst part of the apprenticeship is travelling to work or TAFE.

If they ever thought about giving up the apprenticeship, and most of them don't, they would turn to family, friends and workmates for support; they believe any or all could help to sort out a problem at work or boost their motivation to stick with the agreement.

They are not in a hurry and are happy with the four year apprenticeship. Even though on entry they were not quite as realistic in their expectations as some of the other apprentices, it is all working out well. They are treated fairly at work and the deal seems fair; everyone is living up to their part of the bargain – apprentice, employer, work colleagues and TAFE.

CONTENTED STAYERS (30%)

These apprentices also come into the apprenticeship with positive attitudes and they are positive about their experience so far – not quite as positive about the concept as *Made for a Trade* but it's all pretty good. They are content with the choice they have made. They tend to be motivated young men (under 25), more likely to be a little older than their *Made for a Trade* peers and in this study also likely to live and work in a regional area.

They are committed to the apprenticeship and very likely to complete but some will discontinue for a range of reasons. If they choose to discontinue, or have already discontinued, it will be their own decision. They are good well-motivated apprentices and it won't be the boss that fires them but it may be the 'boss factor' that pushes them to leave.

Actually the boss is the most important factor in their experience and has a big impact on their commitment and their likelihood of completing the apprenticeship. The *Contented Stayers* that stick with their trade say they have a good boss, one who treats them fairly, is interested and involved; if they don't have a good boss, they become much less committed to completion and more likely to make the decision to quit.

They made an active decision to become an apprentice, they rate high on passion for the trade, they are interested in their specific trade – not just any trade – and they aren't interested in another kind of work. They haven't had many other jobs before and they see good job prospects and job security as good reasons to stick with their apprenticeship.

The apprenticeship style and structure also suits them. They like on the job training and working with their hands or out of doors and are more likely than others to be in trades where they work with their hands all the time – plumbing and electrical, carpentry and cabinet making trades.

They knew what they were signing up for and it's working out pretty much the way they thought it would; they have made a good choice. They are enjoying their apprenticeship too – although they really don't like the early starts – and they like having a group of mates at work. They don't like the travel to and from TAFE either but they are happy with a four year contract. They are looking forward to the sense of achievement they'll have when they finally get their trade qualification.

They may be a bit more casual, a little more content, less ambitious than their *Made for a Trade* peers and their background is less influential over their attitudes and decisions, but so far so good. In fact *Contented Stayers* say 'it's all good'.



Contented stayers 30%

'it's all good'

Positive attitudes, positive experience

Active choice to be an apprentice

Real interest in the trade

Value long term prospects, pay off at the end

Happy with a four year apprenticeship

Co workers and learning matter

Most important factor – the boss



Accidental
apprentices
20%

... they just fell into the apprenticeship

Fell into the trade, not
passionate

Fairly negative

Lots of jobs, looking for
something better

See long term pay off

Worst part – lack of
challenge, low pay

Best part – social life

Most influenced by
the experience – and
that is negative

Completion is
questionable

ACCIDENTAL APPRENTICES (20%)

These apprentices are not having a good time. Their attitudes to their apprenticeship are fairly negative and their experience so far has not been positive. Their commitment is already shaky and while some of them will complete the apprenticeship, it is more likely that many of them won't. Some have already discontinued and it is less likely that they will sign up again.

A trade apprenticeship wasn't an active choice for them; they are there by accident rather than by design. They tend to be a little older than their peers in other segments (over 21) and are more likely to live in rural areas, so the options open to them may be limited. They say that they just fell into the apprenticeship or simply didn't have anything else planned when the apprenticeship came up so they are giving it a go. So far it is not going well.

They may not be entirely sure what they have signed up to do but they like the idea of learning and earning at the same time so the concept of an apprenticeship works for them. What doesn't work is the experience – these apprentices don't have much good to say about the quality of work experience, the quality of on the job learning or their boss.

There isn't enough challenge for them and they are already losing confidence; they aren't learning enough and they don't feel that they are getting enough experience on the job to work in all areas of the trade. That makes low pay more of an issue – the trade off isn't working for them, they aren't getting enough training or interesting work to make the lower wages worthwhile.

The best part of the apprenticeship for them is the social life, at work and at TAFE; none of the other core elements are measuring up.

Despite this, they are still convinced that if they can complete the apprenticeship, there will be a good pay off at the end in terms of earnings and job prospects. And they want to achieve the qualification. So if they are sticking with their apprenticeship, it is for the end result; they are just not sure how much they can put up with in the meantime. If they have already discontinued the apprenticeship, the decision was mutual – the boss agreed that this wasn't the right thing for them.

Accidental apprentices are also optimistic about opportunities to get another job; they believe that there will always be something better around the corner and that they will probably change jobs plenty of times in their working life. They don't see themselves in the trade for life.

For these apprentices, the concept is good but the way it works in practice is not; the payoff at the end will be good but experience of getting there isn't. Their ambivalence makes completion questionable at best.

SQUARE PEGS (24%)

These apprentices are seriously unhappy. The fit between what they want or expect and what they are experiencing is not right, for a whole range of reasons. In another trade they might be more satisfied, with another boss they might be happier, in a different kind of job things might go well – but right now they are ill equipped and ill suited to the apprenticeship. Many of them should probably be doing something else and many of them shouldn't have signed up to an apprenticeship in the first place; it is just not right for them.

They have the most negative attitudes of all apprentices, their values and attitudes on entry are negative and their experiences confirm their worst expectations. Many of them have already given up and the rest are at high risk of doing so; they are very unlikely to complete the apprenticeship.

They literally have nothing good to say about the apprenticeship; when asked about the best elements of the apprenticeship, they reply 'nothing'. They are not enjoying any part of it and even though they are most likely to be in their first six months, they feel unsupported and are unlikely to hang around to see if things get better. They really don't think they will stick it out, at least not in this workplace.

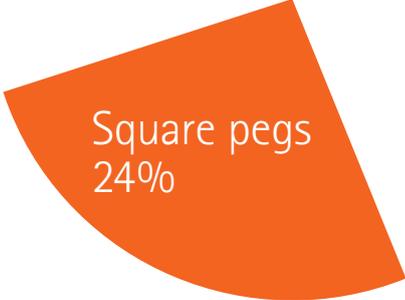
They have a long list of complaints and a lot of it is about the boss, the workplace, pay and conditions; nothing seems fair. If they have already discontinued the apprenticeship, these are the reasons for their decision; they simply could not endure it and they chose to go.

Perhaps surprisingly, some of those who discontinue still want to try again and are looking either for another employer or for another apprenticeship in a different trade. They are much more likely than other apprentices to have experienced one or more periods of out of trade time.

They are also less likely than other apprentices to have made a deliberate decision to go into an apprenticeship. Their school was fairly negative about the choice of an apprenticeship pathway and compared with other apprentices, they are quite ill informed about the systems and structures that support apprentices; they have no real idea who they can talk about their problems or if they are thinking about quitting.

Square Pegs are more likely to be female and older than the average apprentice (25+), living at home and in a metropolitan area. Perhaps the job experiences they have already had, the family safety net and the greater range of options open to them in a city combine to make the apprenticeship compare unfavourably with other opportunities. Perhaps it is the industries they are working in – automotive, hairdressing, hospitality apprenticeships are over-represented in this group and they are well known as industries with low success rates for completions and high employee, as well as apprentice, turnover.

Whatever the reason – whether they are unsuited to an apprenticeship, or haven't found the right workplace or boss, or are working in the wrong industry – there is a really bad fit between these apprentices and their apprenticeship. They are unhappy and will probably vote with their feet.



Square pegs
24%

'a really bad fit'

Negative attitudes and negative experience

Should never have signed up

Fell into it and at high risk of giving up

Nothing is good

Long list of what's wrong

Think apprenticeships should be shorter

Hairdressing, automotive and commercial cookery



They are unhappy and will probably vote with their feet.

PREDICTORS OF SEGMENT MEMBERSHIP

Drawing on apprentice responses to the 49 value statements, we can most effectively predict membership of a segment by the strength of apprentice response to a bank of statements.

MADE FOR A TRADE apprentices are more likely to **strongly agree** that:

- My family is/was right behind my decision to do an apprenticeship.
- I've got lots of time to make a final choice about a long-term job or career I'll end up in.
- You have to accept the bad with the good in every job.
- I get a real kick out of learning new things.
- I take pride in doing a job well.
- I can put up with low pay at work but not with lack of respect.
- There is/was always someone to talk to at work if I have/had any problems with the boss or with the work.

They are also more likely to **strongly disagree** that:

- The things they asked me to do at work showed they have/had no respect for me.
- I wish there were more people at work to socialise with or just to talk to.

CONTENDED STAYERS are more likely to **agree** that:

- My family is/was right behind my decision to do an apprenticeship.
- I've got lots of time to make a final choice about a long-term job or career I'll end up in.
- You have to accept the bad with the good in every job.
- I get a real kick out of learning new things.
- I take pride in doing a job well.
- I can put up with low pay at work but not with lack of respect.
- There is/was always someone to talk to at work if I have/had any problems with the boss or with the work.

They are also more likely to **disagree** that:

- The things they asked me to do at work showed they have/had no respect for me.
- I wish there were more people at work to socialise with or just to talk to.

ACCIDENTAL APPRENTICES are more likely to **agree** that:

- My family is/was right behind my decision to do an apprenticeship.
- You have to accept the bad with the good in every job.
- I take pride in doing a job well.
- There is/was always someone to talk to at work if I have/had any problems with the boss or with the work.
- I wish there were more people at work to socialise with or just to talk to.

... and more likely to **disagree** that:

- I can put up with low pay at work but not with lack of respect.
- I get a real kick out of learning new things.

SQUARE PEGS are more likely to **disagree** that:

- My family is/was right behind my decision to do an apprenticeship.
- I've got lots of time to make a final choice about a long-term job or career I'll end up in.
- There is/was always someone to talk to at work if I have/had any problems with the boss or with the work.

They are also more likely to **strongly agree** that:

- I can put up with low pay at work but not with lack of respect.
- The things they asked me to do at work showed they have/had no respect for me.
- I wish there were more people at work to socialise with or just to talk to.

THE EMPLOYER MARKET

6

Employers of apprentices are a diverse group and over the last 30 years there have been significant changes in the size and practices of the organisations that recruit and train apprentices. Part of what we want to understand is how these changes in industry have impacted on apprentice recruitment, retention and completions.

Participants in the qualitative and quantitative research were selected to provide a representative sample of employer size, location and apprenticeship experience. However, the research did not cover all industries; it focused on industries with priority technical and trade skills shortages – building and construction trades, engineering, electrical and automotive trades, horticulture, hospitality and cookery, hairdressing and transport – although it also included a small sample from other industries.

6.1 INFLUENCE FACTORS

A number of business factors appear to influence the outcome of apprenticeships including:

- Business size
- The boss's experience, attitudes and style
- Money
- Management practices

SIZE MATTERS

Across industry, there has been significant growth in the small and medium sized enterprise sector and a massive reduction in the number of large industrial organisations. SMEs are the dominant source of industry employment and apprenticeships. Within the participant sample, only 8% of businesses employed 100 or more people; almost half employ five or less and most of the remainder employ between six and 15 people.

Interestingly, size matters in apprenticeship completions but it is not as simple as 'bigger is better'. Both the largest and the smallest organisations achieve the best results in terms of retaining apprentices and seeing them through to qualification.

Three quarters of employers in the sample only employ between one and three apprentices. The old engine rooms of apprentice training that employed dozens of young apprentices have all but disappeared. The social side of work – having people to talk to, a peer group to socialise with, workmates – is a factor in apprentice satisfaction, particularly to those most committed and likely to complete their training. But there are few remaining businesses that employ large cohorts of apprentices in a single workplace and that is a challenge for employers trying to keep apprentices motivated, supported and happy at work.

Yet some of the smallest businesses or individual employers achieve the highest retention rates and completions. This raises the question about what those employers do to substitute for the peer groups and workmates that an apprentice

Over 95% of employers rate themselves as a good boss; unfortunately apprentices don't agree...

would have experienced in a larger organisation. It certainly highlights the critical impact of the boss and the quality of the employer apprentice relationship in a small business, based on a good match between apprentice and employer values and expectations.

EXPERIENCE MATTERS

The amount of experience the employer has both in business and with apprentices appears to matter in a number of ways.

Business experience and sustainability have a big impact; those employers that have been in business for 10 or more years are far more likely to retain their apprentices and get them through to completion. Those employers who have been in business for less than five years are more likely to achieve low retention rates.

Their experience as a boss with apprentices also matters. The more experience they have had and the more positive it has been, the more likely they are to keep getting good results. Over 95% of employers rate themselves as a good boss; unfortunately apprentices don't agree – less than 75% say they have a good boss and in some groups this is as low as 49%.

If employers have had positive experiences in the past – with apprentices who get on with others, work hard and contribute to the business – they go into new apprenticeships with positive expectations and attitudes. And that increases the success rate. If they have had negative experiences with previous apprentices, that colours their current commitment and attitudes and their apprentices are less likely to complete.

This bears out the apprentice experience; those who say their boss has a fair and positive attitude towards them are much more likely to get through to the end.

However, personal experience as an apprentice – the boss who started out as an apprentice himself – can be both a positive and negative influence. Some of those who trained as an apprentice retain the lowest number of apprentices; in fact those employers who report low retention rates with apprentices are most likely to say that's how they got their start and to think of themselves as a good boss.

Current apprentices don't respond well to employers who say *'I learned that way so that's how you'll learn'*. In some cases, it seems to lead to bad work practices and it doesn't fit with GenY notions of contemporary employment.

MONEY MATTERS

The issue of financial incentives and return on investment sheds interesting light on employer attitudes and skills. Employers with high retention rates are much less likely to say that financial incentives are important; but those with the lowest retention rates care about them a lot – they want higher incentives, they want them earlier in the contract period and they say that apprentices make mistakes that cost their business money. They expect wage subsidies for unprofitable apprentices and inducements to compensate for the cost of their time and investment in training.

Employers with the lowest retention rates say that they can't make a profit on an apprentice until the fourth year so they want to stick with the long fixed contract – even though they see less than half of their apprentices through to the end. But the more successful employers say that they can get a return on their investment

in apprentices in the first or second year; they'd be happy to see a shorter apprenticeship period because they want to get skilled workers into their workforce as soon as they are ready.

GenY apprentices are quick to pick up the clues from their employers; they feel that they are already sacrificing wages in exchange for training and respond negatively to employers who harp on about profitability and costly mistakes.

MANAGEMENT PRACTICES MATTER

Most SMEs don't have the benefit of an HR department; as indicated, 80% of them in this study agree that *"I am the HR department"*. In practice it means that the boss not only runs the business but also looks after everything to do with the apprentice's pay and conditions and sets the tone of workplace culture. That can put an apprentice in a difficult position if they want to talk to someone about a work problem, a pay rise or their working conditions – it's the boss or no one.

However, the employers with good retention rates, even if they are in small businesses, tend to have someone looking after or helping out with HR matters.

The more successful employers have also established some guidelines for recruiting workers and apprentices and most importantly, take input or advice from others – partner, colleague, industry association – about recruiting, employing and managing apprentices. The larger businesses, with the best track records, are most likely to say that they have been influenced by their industry body; low retention rate employers don't take advice from anyone.

Successful employers also take the apprenticeship relationship seriously and make sure that they are doing what they are supposed to do for the apprentice; they stick to the deal in practice as well as on paper.

Management style is critical. GenY doesn't respond well to an old fashioned, authoritarian boss or hierarchical workplaces; most want a mentor, someone who will be interested in them rather than bark out orders, someone they can talk to, someone who treats them fairly. Not surprisingly, those employers who have a positive attitude to their apprentices, who appear to like and value them and are willing to listen to them, get the best results. Interestingly, some of the most traditional and authoritarian employers also get good results some of the time – their ability to retain an apprentice through to completion appears to be related to the match in personality and work style between the two; some young people are more able or willing to work with a tough boss than others but research suggests that they are a minority.

6.2 RETENTION AND COMPLETION

Retention of apprentices in training and the completion of apprenticeships is the critical long term objective of future initiatives or changes to the apprenticeship system in NSW. If fairness is the tipping point of commitment for apprentices, we also want to understand what the tipping point might be for employers, the factor (or factors) that increase or reduce the likelihood that they will get their apprentices through to completion.

Employers in the sample (500) were asked to report the number of apprentices who had completed training with them over the preceding five years, the number who were still in training, and the number that had left before completion, leading



GenY doesn't respond well to an old fashioned, authoritarian boss or hierarchical workplaces.

to an overall retention rate. As a self reporting exercise, there are likely to be some inaccuracies from poor memory, overstatement of achievement or lack of data.

Even though a third have less than a 70% retention rate, employers report overall higher rates of retention and completion in the preceding five years than are recorded in NSW apprenticeship data. However the sample is not based on all apprenticeships in all industries.

The sample for calculating retention rate is reduced because 92 the 500 employers in the sample are currently employing an apprentice but have not had any apprentices either complete or fail to complete in the previous five years. They are successfully retaining the apprentices they have, but can't be counted in the figures for successful completions. So the calculation of overall outcomes as an employer – apprentice retention through to completion – is based on 408 employers.

Based on this sample and employer self reporting, the research identified four retention clusters:

- **Low:** 12% of the employer sample achieved a 0-49% retention rate; less than half of the apprentices who started with them in last five years, stayed to complete their apprenticeship
- **Medium:** 21% of the employer sample, with retention rate between 50% and 69%
- **High:** 30% of the employer sample, with a 70%-89% retention rate
- **Highest:** 37% of the employer sample, with a 90% or more retention rate

The profiles of the different retention groups below are based on employer responses to survey questions and on information collected through the literature review.

LOW RETENTION EMPLOYERS

These employers are more likely to run an SME trade business (1-15 people) in metropolitan areas and to have been in operation for less than five years. They are the boss in every sense of the word, most likely to make the decision to employ an apprentice by themselves and without input from anyone else, have no-one else who looks after HR issues and not likely to be influenced by their industry association. They are more likely to have started out as an apprentice themselves and tend to only employ one apprentice at a time. Financial incentives matter. In the last five years, more than a third have had an average of 10 or more apprentices leave before completing their apprenticeship and almost half have had between one and four apprentices leave.

MEDIUM RETENTION EMPLOYERS

These employers also tend to run SMEs (1-15 people) but with a little more structure and management. They have someone who looks after or helps out with HR and they take input from others on the decision to put on an apprentice. They are more likely to employ two or three apprentices at any one time and do so for business reasons, for the kind of contracts they want to get. Based on the last five years, about half of these employers are at the bottom end of the medium retention scale, getting only one apprentice through to completion, but about a quarter of them are up at the top of their scale, seeing 10 or more of their apprentices to completion.

HIGH RETENTION EMPLOYERS

These employers achieve consistently high rates of retention with their apprentices. They are more likely to run larger organisations (50+ employees), although they include some smaller employers, are more likely to be based in regional areas and tend to have good management practices, take advice from others including their industry body and have an HR function. They have previously good experience with apprentices and are currently likely to have two or more apprentices on the payroll but the financial incentives are not that important.

HIGHEST RETENTION EMPLOYERS

The employers who are achieving a 90%+ retention rate tend to be the smallest, sole operators or with few employees (1-5). They are more likely to have been in business, in a regional or rural area for more than ten years, and that experience gives them skills to select and train an apprentice successfully. They get support and advice from others on the decision to take on an apprentice and to take care of HR matters.

COMPARISONS

Not surprisingly, the average number of incomplete apprenticeships is highest among the low retention group and lowest among the highest retention group. When we compare the retention rates for each group, it becomes clear that the low retention employers are churning through apprentices at an alarming rate and see few through to completion.

Based on the average number of apprentices employed:

- In the low retention group, an average of 7 out of 15 do not complete
- In the medium retention group, an average of 4 out of 7 do not complete
- In the high retention group, an average of 2 out of 8 do not complete
- In the highest retention group, an average of less than one out of 12 do not complete

PREDICTORS OF RETENTION AND COMPLETION

What does this tell us about the tipping point for commitment to completion among employers? It indicates that the employers most likely to be successful with apprentices take a professional approach. They are positive, have good management or work practices and listen to others. They know what they are doing, take it seriously and do it well.

Analysis of employer responses to 36 value questions in the quantitative survey enabled us to identify which questions most effectively predict which employers will achieve the **highest** and **lowest** rates of apprentice retention through to completion.

Employers who have the highest retention rates say that:

- Their industry **values formal qualifications** and that young people can't go far without them
- Apprentices **don't treat work like a place to socialise** and have fun
- Apprentices **don't want too much flexibility**; the workplace can give them some of the flexibility they want

Employers who have low retention rates disagree with each of those statements and say the opposite – that their industry doesn't value formal qualifications, that apprentices treat work like a place to socialise and have fun, and that they want too much flexibility and the employer can't give it to them.

6.3 EMPLOYER SEGMENTS AND PROFILES

One boss is not the same as another. Like apprentices, they bring into the employer apprentice relationship different attitudes and values and they respond to their experiences in different ways. Not everyone works well with the apprenticeship model or gets the best out of it; they do not all live up to their part of the bargain and some of them are remarkably ill informed about their obligations and responsibilities.

Based on employer responses in the quantitative survey to 36 value statements about their attitudes to apprentices and apprenticeships and their experience with them, the research identified four attitudinal factors and four experience factors that enable us to differentiate groups of employers from each other.

ATTITUDINAL FACTORS

Employers demonstrate both positive and negative attitudes in their responses to these factors. They include:

- **THE DRAWBACKS OF APPRENTICESHIPS**, broadly negative attitudes to apprenticeships, focusing on what is wrong with apprentices and the apprenticeship system and structure and a lack of trust in assessment
- **IN MY DAY**, more negative than positive attitudes to the contemporary experience of apprentices, often focused on personal experience, that an apprenticeship was harder 'in the old days' when the employer undertook his or her training
- **LENGTH OF APPRENTICESHIPS**, positive or negative response to the concept of a shorter apprenticeship and whether or not that would be good for the employer, the apprentice or both
- **RECRUITMENT AND SCREENING OF APPRENTICES**, whether or not the employer believes that they can do it and are doing it well

EXPERIENCE FACTORS

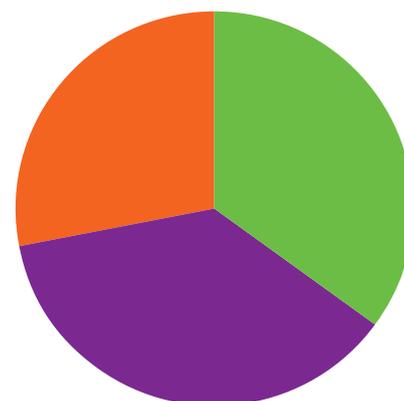
The employer's response to their experience with apprentices and apprenticeships also differentiates them from each other. These experience factors include:

- **THE GOOD BOSS**, whether or not they perceive themselves to be a good boss, and what it means to be a good boss for an apprentice
- **HIGH APPRENTICE EXPECTATIONS**, how they perceive apprentice expectations, whether or not they believe they are too high and unrealistic
- **DOING THE RIGHT THING**, how they perceive the deal and whether or not that means in practice that they are doing the right thing for apprentices or put their trust in them
- **NOT WHAT WE SIGNED UP FOR**, how they perceive the reality of the apprenticeship compared with their expectations, how confident or uncertain they are about the employer and apprentice obligations and responsibilities

Within a group or segment, employers share a number of common values, attitudes and experiences that characterise the group and differentiate them from employers in other segments. Each segment is different.

The data identified three distinct segments in the apprentice market:

- Trade Makers
- Traditionalists
- Boss at the crossroads



TRADE MAKERS

Trade Makers are the backbone of the apprenticeship system and the largest group of employers (37%) in our sample. They are more likely to run larger businesses with 50+ employees, 6+ apprentices and a defined HR person or team, although many smaller businesses are also in this segment. They have good recruitment practices, don't make the decision to hire apprentices alone and have lots of experience employing apprentices; they've always done it – it is established company practice.

They are the most positive about their apprentices and the apprenticeship system and about their experiences as an apprentice employer. They are involved for the right reasons and least likely to see any negative aspects to apprenticeships; they have no nostalgia for the tough old days of apprenticeships.

They are good employers and realistic about the young people they recruit – they know they have to be a good mentor as well as a good boss. They are also well organised and confident in their employment, training and management practices. They know what they are doing and are the most certain that they know what they have signed up for and they are fulfilling their responsibilities well.

They also believe that apprenticeships make good sense for the business. They are growing their own workforce and know that at the same time they are adding skilled workers to their industry. They know how to get a good return on their investment in apprentices and believe that apprentices can be profitable for the business straightaway. But they would like to see the apprenticeship contract shortened; three years would work well for them.

Trade Makers are the most likely to have success with their apprentices, to retain them and to see them through to completion. Apprenticeships work for them, they manage them well and they are committed to fulfilling their part of the bargain.



Very positive attitudes, experiences – experienced employer and mentor

Good recruitment practices, take advice

Growing their own workforce

Realistic and well informed

Like a shorter apprenticeship

ROI almost immediately

50+ employees, with HR

High completions



Traditionalists 35%

Lack skills to mentor an apprentice, negative attitudes and experience – a long list of complaints

Don't see the problems as their fault or responsibility

Don't take advice

Apprenticeships were harder in their day

Like the 4 year apprenticeship

ROI in year 4

Small business (1-5), city based

Think they are a great boss

Low retention and completions

TRADITIONALISTS

At the other end of the spectrum, the *Traditionalists* struggle to provide a contemporary employment experience for their apprentices or quality on the job training and mentoring. They need to make significant changes to their business and management practices and need help to do so – advice and training to enable them to meet their responsibilities to their apprentices.

They represent over a third of employers (35%) in our sample. They tend to run small businesses (1 to 5 employees) and see themselves as a very good employer – a good boss and a good mentor.

While they see apprenticeships as a good way of giving young people a start, they also demonstrate negative attitudes to the young people they employ or have employed. They say apprentices have a bad attitude to work, refusing to do the worst parts of the job, not doing what they are told and not showing respect; they are convinced that apprentices have too many high expectations and don't really try to fit in.

They think that apprentices have it easy these days, compared with their own experience; of all employers the *Traditionalists* are the most likely to say that in their day, when they started out as an apprentice, things were much tougher.

They are the most negative about apprentices and apprenticeships and complain about many things. They think they are doing a pretty good job but it isn't delivering the goods for them. But they don't think any of it is their fault and don't take responsibility for the outcomes. They believe that the problems all lie with the apprentices.

Money is important to them though and they want higher financial incentives from government to support apprenticeships. Apprentices cost them money in time and training and mistakes, and they aren't making a profit for the business until their final year, so these employers want to stick with the four year fixed term apprenticeship. That last year is their payback period although they don't get that many apprentices through to the end of the fourth year.

They don't tend to have good recruitment or employment practices (even though they believe they do), and don't take advice from anyone about the decision to take on an apprentice – they are confident that they know what they are doing and they think it is not too difficult to tell who will make a good apprentice.

With such negative attitudes and experiences, their motivation for employing apprentices is not clear. Their management style and attitude to apprentices does not suit the current generation of young people; there is a real mismatch between the GenY apprentices they are recruiting and the way they deliver on their part of the deal. Not surprisingly, they are more likely to have low retention rates.

This is a challenging area and the challenge needs to be addressed. These employers need assistance to equip them to employ and train today's apprentices.

BOSS AT THE CROSSROADS

Just over a quarter of employers in our sample, this group is the hardest to profile because, to some extent, they sit at the crossroads between the other two segments. They demonstrate many of the positive characteristics of *Trade Makers* but don't have the skills to get consistently good results. Their retention rates can be good, but this is more often by accident than design.

Unlike the *Traditionalists*, it is not the attitudes of the *Boss at the Crossroads* that influence the outcome; it is their experience and skills. They are very positive about apprentices but they are not confident about what they are doing. If everything falls into place, then the outcome is positive; if it doesn't all come together, the result is poor.

The *Boss at the Crossroads* is potentially a good employer of apprentices. These employers are the most positive about apprenticeships and apprentices and least likely to complain about young people's expectations or the way that they behave and work. They like young people, think an apprenticeship is a good way to recruit new workers for the business and don't see any major disadvantages.

Unfortunately, at present, they don't really know what they are doing. They are least likely of all employers to have good recruitment practices, they are not sure how to recruit an apprentice and don't have strong recruitment guidelines. They are also the least likely to be confident about the employer apprentice relationship – they are unsure about what they have signed up for and what their responsibilities and obligations are, so they are also uncertain about whether or not they are doing the right thing by their apprentices in terms of pay, work conditions or on the job training. They want to do the right thing but just don't know if they are.

They prefer the idea of a shorter three year apprenticeship and they believe they can start to make a return on their investment in the first year.

Essentially the *Boss at the Crossroads* needs help and advice to turn positive attitudes and good intentions into consistently positive experiences and outcomes.



The match is key

Positive attitudes to apprentices –experience challenges them

Unsure what they are in for, how to do it well

Good way to find new workers

Small, medium business (1-15)

Prefer a 3 year apprenticeship

ROI in the first year!

Completions can be good – but by accident rather than design

PREDICTORS OF SEGMENT MEMBERSHIP

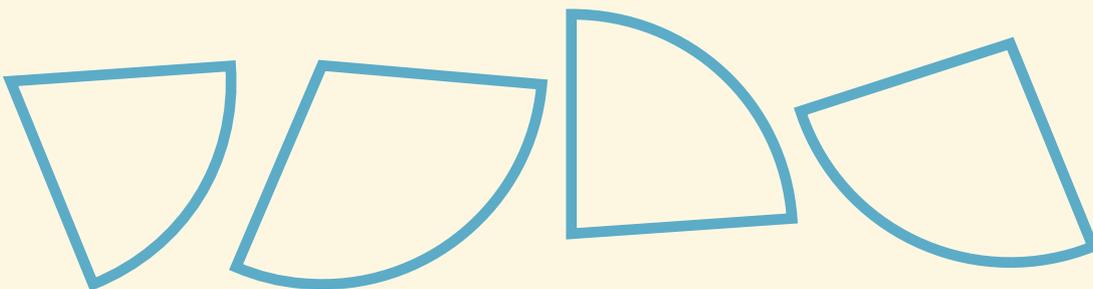
Again, drawing on employer responses to the 36 value statements, we can most effectively predict membership of a segment by the employer response to six statements:

- We have very strict recruitment criteria for choosing apprentices
- Apprentices nowadays are not as hard working as they once were
- Apprentices seem to treat work like a place to socialise and have fun
- Apprentices just need to do what they're told and things would be a lot easier
- Apprentices want too much flexibility these days and we can't really give it
- As soon as they start work, young people expect to be treated well and respected

Trade makers **agree** or **strongly agree** with the first statement and **disagree** or **simply agree** with the rest.

Boss at the Crossroads **disagrees** or **strongly disagrees** with the first statement and **disagrees** or **simply agrees** about the rest.

Traditionalists **agree** or **strongly agree** with all six statements.



CONCLUSION

This research study sheds new light on the apprenticeship market in NSW and the findings demonstrate that there is a strong case for change to the current apprenticeship system and services in NSW.

One size, one model, does not fit all. Different segments in the market respond to the current system and services in different ways and if we are to improve the quality of recruitment and increase retention of apprentices, we will need to take a more targeted and tailored approach to both apprentices and their employers.

The research has revealed the substantial impact of a range of individual variables – both the attitudes and experiences of apprentices and employers – on the recruitment, retention and qualification of apprentices in traditional and technical trades.

The study has also identified factors in the changing social and economic context for apprenticeships and highlighted the growing mismatch between the current apprenticeship model and the expectations and values of both employers and apprentices.

Through qualitative and quantitative research with employers and apprentices, the study has also challenged a number of the conventional wisdoms about the reasons behind low numbers of completions among apprentices and the lack of employers willing to invest in training apprentices. Many of the myths about financial factors specifically – the impact of apprentice wages, employer subsidies and business returns on investment – have been challenged by the findings.

Five critical factors appear to impact on the market response to the concept and experience of apprenticeships and indicate the most productive opportunities for change to apprenticeships in NSW:

- The central **IMPORTANCE OF FAIRNESS** in motivating apprentices and keeping or losing them and the need to establish the baseline parameters for a fair deal to ensure fairness for both apprentices and employers
- The opportunity to **INCREASE RETENTION RATES** by reducing the focus on raw numbers of recruits and shifting attention to improving the quality of recruitment, focusing on those best suited (in attitude, aptitude and expectation) to apprenticeship and providing alternate options to those least likely to complete
- The imperative to **IMPROVE EMPLOYER RECRUITMENT AND EMPLOYMENT PRACTICES**, both to accommodate the style and expectations of the current pool of young people (GenY) from which apprentices are being recruited and to ensure that employers are fulfilling their part of the bargain
- The need to put **GENUINE COMPETENCY BASED PROGRESSION** into practice and consign to history the concept of a time based contract of training and a time based apprenticeship, and to address apprentice pay scales so that they reflect contemporary labour market expectations
- The need for **DIFFERENTIATED SYSTEMS AND SERVICES** to support different apprentices and different employers to stick with apprenticeship training through to completion

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