



RESPONSE TO THE STRATEGIC REVIEW OF THE AUSTRALIAN APPRENTICESHIP INCENTIVE SYSTEM

MTAA SUBMISSION

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1. INTRODUCTION

The Motor Trades Association of Australia (MTAA) welcomes the opportunity to respond to the Australian Government's Department of Employment and Workplace Relations' Strategic Review of the Australian Apprenticeship Incentive System.

The MTAA membership has a proud history in supporting and developing apprenticeship and traineeship programs over many years. This includes 1000s of automotive small businesses who employ apprentices across Australia, creating a pipeline of talent to meet the future needs of the Australian automotive industry.

Over 95 percent of the automotive industry in Australia¹ is composed of small and family-owned businesses who employ the majority of apprentices. Investing in apprenticeships is both time consuming and costly for businesses who operate on small profit margins. The current incentive scheme is critical for automotive businesses as the incentives help offset additional costs.

The current incentive scheme allows these businesses the opportunity to invest in new talent and contribute to the business' productivity. Tempering or removing the existing scheme, in the current economic climate, is likely to de-incentivise small businesses to invest and employ more apprentices. This is particularly important in a time of disruption to the sector as it transitions to a clean economy.

For the industry to adapt and innovate, a strong pipeline of apprentices is needed. However, current apprenticeship commencement rates suggest they will not meet current or future industry demand. Nationally, the automotive industry continues to suffer from an acute and extended skills shortage. The most recent statistics suggest a deficit of over 38 000 technicians² across a range of occupations.

It is MTAA's view that that current incentive program, due to end on 30 June 2024, needs to continue until sufficient consultation and research has been undertaken to inform any future incentive schemes. This will require a long-term approach, providing assurance and stability to businesses willing to invest and engage with the apprentice system.

2. ABOUT MTAA

The MTAA is Australia's peak national automotive association. Our membership includes the Motor Traders' Association of New South Wales, the Victorian and Tasmanian Automotive Chamber of Commerce, the Motor Trade Association of South Australia and Northern Territory, the Motor Trade Association of Western Australia, and the Motor Trades Association of Queensland.

We represent new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and

¹ MTAA (2021). "Directions in Australia's Automotive Industry: An Industry Report 2021." p. 8

² Ibid., p. 70

distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), tyre dealers and automotive dismantlers and recyclers.

The automotive industry is a vital contributor to Australia’s economy, employing approximately 385,000 people across 13 sectors and 52 trades, and contributing 2.1% per cent of Australia’s GDP. The sector is also one of the largest employers of apprentices and trainees nationally, and most automotive businesses (96%) are small and family-owned enterprises.

We are the national body representing the automotive chambers of commerce in each state and their members

WHO WE REPRESENT



OUR MEMBERS

3,253 Auto dealers	219 Auto dismantlers & recyclers
7,893 Auto repairers & accessories	726 Farm & industrial machinery dealers
1,762 Body repairers & towing operators	279 Service stations & convenience stores
405 Motorcycle dealers	1,196 Tyre dealers

WHAT WE DO

 The largest and most diverse membership of any auto industry association	 The voice of the automotive retail industries throughout Australia	 A potent force if used wisely to shape the future direction of the auto sector
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3. MTAA MEMBER ACTIVITY

MTAA members are the largest group of employers of automotive apprentices in Australia. Combined, they represent approximately 7,169 apprentices in training and 1,394 directly employed.³

MTAA members spend considerable time and energy within their respective states and territories promoting automotive careers via engagement with secondary schools and attendance at career expos.

The success of MTAA member programs is demonstrated in the latest NCVER data, which shows automotive apprentice numbers have increased, compared to other traditional trade occupations.

MTAA members create a career path into the auto industry

7,165 Apprentices undertaking training	1,394 Apprentices directly employed
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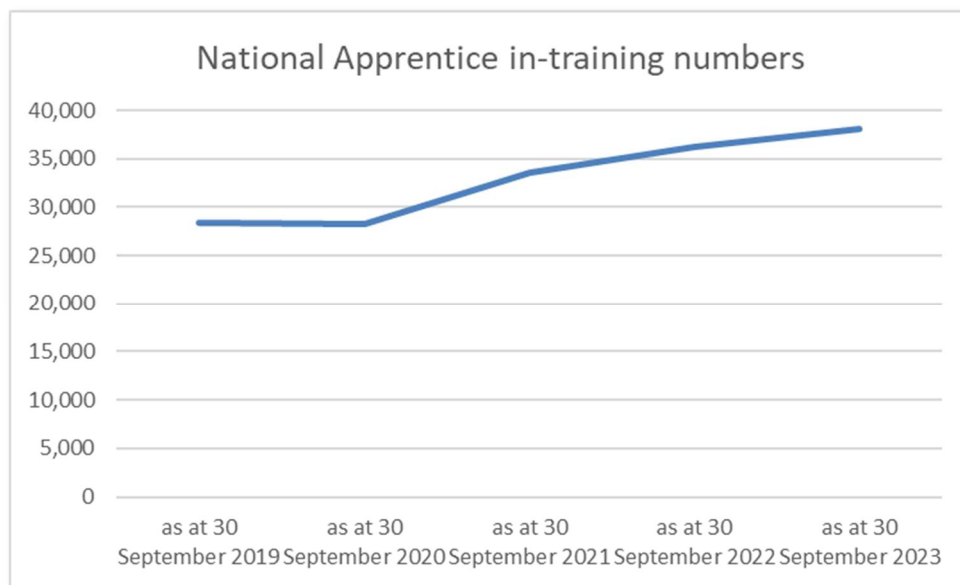
³ MTAA. (2024). Infographic.

In-training time series for trade occupations, Australia - quarterly

as at end of quarter

Trade occupations	As at end of quarter					% change	
	2019 Sep Qtr	2020 Sep Qtr	2021 Sep Qtr	2022 Sep Qtr	2023 Sep Qtr	2019-2023	2022-2023
Automotive and Engineering Trades Workers	46 775	47 260	54 975	59 190	62 250	33.1	5.2
Construction Trades Workers	57 130	55 805	67 445	70 385	69 835	22.2	-0.8
Electrotechnology and Telecommunications Trades Workers	40 305	40 810	47 710	52 475	53 965	33.9	2.8
Engineering, ICT and Science Technicians	3 460	3 410	7 850	11 100	7 960	130.0	-28.3
Food Trades Workers	11 725	10 705	12 875	14 725	13 465	14.8	-8.6
Other Technicians and Trades Workers	15 045	14 355	19 300	21 105	19 210	27.7	-9.0
Skilled Animal, Agricultural and Horticultural Workers	7 220	7 250	9 875	10 735	9 985	38.3	-7.0
Total	181 650	179 595	220 030	239 720	236 660	30.3	-1.3

Source: NCVER Data (2024). In-training time series for trade occupations, Australia



Source: NCVER Data (2024). AUR Training Package In training numbers

4. THE IMPORTANCE OF SMALL BUSINESS

Small automotive businesses play a crucial role in the Australian apprenticeship system, serving as indispensable partners for the implementation of apprenticeship and traineeship programs. Small businesses provide the requisite on the job training, including the opportunity to ‘earn and learn’ – an increasingly desirable employment pathway. The success of any apprenticeship system hinges on businesses’ willingness to engage. Businesses dedicate significant time to supervision and training, ensuring apprentices and trainees can learn and grow in safe, supportive environments. This comes at a cost to the business.

MTAA argues that interruptions to the current funding model will result in fewer employers engaging with the apprenticeship system and have a residual impact on the pipeline of skilled technicians.

It is crucial, then, that the Australian Government engage with industry to better understand the sector specific consequences that removing or changes to the current regime will have on employment opportunities for apprentices and the future skills pipeline.

5. THE IMPORTANCE OF INCENTIVES

The current incentive scheme has helped drive apprentice and traineeship employment in the automotive industry by offsetting the additional costs faced by small and family businesses who engage an apprentice over other employment options. Businesses will employ apprentices on a work need basis or to build future business capability.

Incentives work to motivate a business to employ an apprentice in what is often seen as a time-consuming work arrangement that takes considerable time before it becomes productive. Challenges faced by business, especially in the first two years of the apprenticeship system include:

- > Poor quality off-the-job training (where there are clear and consistent examples of apprentices undertaking hundreds of hours of training in one day),
- > Additional regulation for businesses when engaging in the apprenticeship system,
- > Regularly increased training fees, a loss of productivity due to time spent supervising, and;
- > Skill shortages throughout the economy creating high remuneration/low skill job alternatives.

The above substantially counter any perceived advantages voiced by groups that a reduced training wage offsets these challenges.

The NSW VET Review Interim Report⁴ noted that “contracting and administration associated with the [apprenticeship and traineeships] is complex and acts as a barrier to commencements.”

Further, the Interim Report stated that the current wage and incentive structures, coupled with timelines faced by employers to bring apprentices into the skilled workforce are acting as impediments.⁵

MTAA advocates for an incentive system that encourages and supports businesses to reengage in the apprenticeship and traineeship system. It cannot be overstated the importance of businesses employing apprentices and trainees, as this will go some way to ensuring future skills needs are met – especially as Australia transitions to a clean economy. If this is not correctly managed, a growing number of businesses will employ alternative options, compounding future skill shortages and reducing mobility in the workforce.

⁴ New South Wales Government (2023). “[NSW VET Review - Interim Report December 2023](#)”

⁵ Ibid.

6. DIRECT PAYMENT INCENTIVES

Direct payments to apprentices have been shown to encourage apprenticeship uptake and support individuals as they undertake their journey to becoming a qualified trades person. They also assist in alleviating cost of living pressures over the course of their apprenticeship and serve as an incentive to complete their training.

Numerous challenges are faced today by apprentices when trying to access current support payments. This includes difficulty in setting up their MyGov accounts for the first time, then linking their accounts to Centrelink and Medicare, and navigating the challenging process of applying for a Low Income Health Care Card. The current red-tape requirements and processes associated with accessing existing financial support can be discouraging and work as a disincentive to applying for the support available.

7. INCENTIVES FOR WOMEN AND FIRST NATIONS PEOPLE

MTAA argues that future incentives and supports need to consider, and proactively encourage, uptake for women in non-traditional trades, apprentices and trainees in regional and remote areas, and encourage engagement by First Nations People. These additional incentives should be reinforced with educational programs targeting businesses on the advantages of a diverse workplace.

8. THE COMPLEXITY OF THE CURRENT AUSTRALIAN APPRENTICESHIP SUPPORT NETWORK

It is well known that the current Australian Apprenticeship Support Network (AASN) structure is complex and confusing for stakeholders. In its current form, it is unable to provide enough flexibility to meet the needs of every industry.

Stakeholder feedback to the House of Representatives' Standing Committee on Employment, Education and Training inquiry into the perceptions and status of vocational education and training⁶ strongly expressed the view that the AASN is not working to its optimal level and that there exists a striking disconnect between apprentices and the network.

This disengagement acts as a barrier for apprentices seeking services that would assist in completing their apprenticeship.

In lieu of an effective AASN, industry has moved to fill the gap and provide industry-led mentorships.

MTAA sees no reason for any positive change in AASN support levels even with the introduction of the new AASN structure commencing 1 July 2024. It only introduces yet more players into an already crowded arena on the pretence of apprentice support.

⁶ [House of Representatives Standing Committee on Employment, Education and Training \(2024\). "Shared vision, equal pathways Inquiry into the perceptions and status of vocational education and training."](#)

MTAA's member network of state-based motor trade associations have participated in numerous industry mentoring programs that resulted in an increase in apprentice retention.

In South Australia, MTA SA/NT currently operates an apprenticeship mentoring model in both South Australia and the Northern Territory that has achieved not only increased apprenticeship numbers but also increased retention rates.

In NSW, MTA NSW's workplace training model, acts as a surrogate mentorship model, allowing apprentices and employers the ability to liaise with trainers to achieve better outcomes.

In both cases retention and completion rates have increased.

MTAA, via its state-based members, is most appropriately placed to understand the challenges faced by individuals and businesses within the automotive industry and can provide the correct support, at the right time, to successfully support the individual and business through to completion of the apprenticeship.

9. THE ROLE OF SECONDARY SCHOOLS

Secondary schools play a vital role in influencing parents and students when deciding career options.

Historically, there has been a tendency by schools to promote university pathways to both parents and students. Student ATAR scores can be associated with a school's perceived success and linked to university entrance. This inadvertently promotes to parents and students that only university pathways are rewarding.

It remains MTAA's firm view that trade pathways should be promoted equally to university pathways. MTAA members' interaction with schools confirms that there remains a lack of structure and properly qualified careers advisors, with many schools relying on teachers to fill this position.

The House of Representatives Standing Committee on Employment, Education and Training noted in *Shared vision, equal pathways* report that:

"Secondary schools must do much more to promote VET to their students, including providing relevant, accessible information...This must be supported by quality structured careers education for students."⁷

The MTAA agrees with the Committee's recommendation nine of the report that the Australian Government works to develop a national strategy for career education in schools.⁸

Further, MTAA agrees with the findings in the report stating there is an "over-reliance on the ATAR as a primary indicator of success..."⁹ and that "The Commonwealth should work with the states and territories to reduce the reliance on the ATAR as the primary measure of success in secondary education..."¹⁰

⁷ Ibid., p. vii.

⁸ Ibid., p. 91.

⁹ Ibid., p. 87.

¹⁰ Ibid.

MTAA supports the Committee's recommendation six¹¹ that the Australian Government works with the states and territories to examine the impact of the ATAR framework.

A full review would, with industry input, assist in promoting apprenticeships to secondary students and in turn meaningfully increase Australian apprenticeship numbers.

10. LIST OF RECOMMENDATIONS

RECOMMENDATION 1

That the Federal Government postpone the planned reduction of incentives from July 1, 2024, for a period of twelve months to allow sufficient time for industry and government to develop a new Australian Apprenticeship Incentive Scheme.

RECOMMENDATION 2

That the Federal Government work with industry to create a five-year Apprentice/Trainee Incentive program that incorporates:

- > A standard base-level payment to all employers of apprentices up to \$2,000 per quarter for the first two years.
- > A standard payment for trainees of up to \$2,000 per quarter for the first 18 months of the program.
- > An additional \$2000 payment above and beyond the Standard Payment for those targeted skills deemed in shortage by Jobs and Skills Australia.
- > A completion payment of \$2,500 once an apprentice has completed their qualification payable to the employer.
- > An additional amount of up to \$3,000 to be payable quarterly across two years to employers of mature aged apprentices.
- > A payment of \$5,000 to be paid directly to the apprentice/trainee across quarterly instalments up to 24 months, followed by a \$2,500 completion payment.

RECOMMENDATION 3

With the support of industry and government departments, improve the process of claiming eligible incentives for apprentices and employers.

¹¹ Ibid., p. 88.

RECOMMENDATION 4

Work with industry to further establish support networks to encourage women and First Nations People to undertake and remain in trades, in metro, regional and remote areas.

RECOMMENDATION 5

Reintroduce funding for the peak industry body to deliver support services and resources to assist employers on best practice and real-person support for apprentices and trainees.

RECOMMENDATION 6

Develop a coordinated approach to promoting apprenticeships in schools. Ensuring each student is presented with a clear program of requirements for their potential career and not based on their school's preferred educational pathway.



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