

ARA SUBMISSION

RESPONSE TO BACKGROUND PAPER INTO REVIEW OF THE AUSTRALIAN APPRENTICESHIPS INCENTIVE SYSTEM

JULY 2024

The Australian Retailers Association (ARA) welcomes the opportunity to make a supplementary submission to the Department of Employment and Workplace Relations (DEWR) in respect of the Strategic Review of the Australian Apprenticeship Incentive System (Scheme).

The ARA is the oldest, largest and most diverse national retail body, representing a \$420 billion sector that employs 1.4 million Australians – making retail the largest private sector employer in the country. We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium sized members, who make up 95% of our membership. Our members operate in all states and across all categories - from food to fashion, hairdressing to hardware, and everything in between.

The ARA also operates the Retail Institute - Australia's leading Registered Training Organisation (RTO) for the retail industry. With over 30 years' experience as an RTO, the Retail Institute provides accredited and non-accredited training to retailers across Australia - providing the ARA with rich insights about the apprenticeship and traineeship system that has helped to inform this submission.

This submission was also informed by feedback from the ARA Skills and Training Advisory Committee, made up of subject-matter experts from some of Australia's largest retail organisations.

ARA POSITION

The preservation of the Scheme is critically important to the retail sector, given the positive role that apprenticeships and traineeships play in fostering the development of a skilled workforce.

Consistent with our previous submissions, we maintain our position that retail plays an important role in strengthening the labour market and providing sustainable employment opportunities across the economy, highlighting the need for Government policies that help to grow and nurture the retail workforce.

The 2024-25 Federal Budget decision not to extend hiring incentives for employers of apprentices and trainees in so-called "non-priority" sectors, will limit the ability of many retailers to offset the training costs associated with hiring these learners. With the decline of employer funding, learner entry and completion rates in retail training programs will fall, with a corresponding impact on the ability of retailers to engage new trainees and apprentices.

We have previously raised concerns about these changes to the hiring incentive scheme for impacted occupations in retail and hospitality with the Hon Minister Brendan O'Connor, DEWR and Service and Creative Skills Australia (SaCSA).

To make the point again in the strongest possible terms, these changes to hiring incentives will have a devastating impact on our sector's ability to build a strong, sustainable and skilled workforce, and reduce employment opportunities for trainees and apprentices – who are typically young people entering the workforce for the first time.

In response to the Background Paper published by DEWR, we aim to dispel the misconception that employer incentives are not driving positive outcomes for the retail and hospitality sector. In this submission, we aim to mount a compelling case that supports our proposition that hiring incentives have a material impact on the uptake and completion of apprenticeships and traineeships, particularly in sectors defined as “non-priority” by the Government.

We also aim to reinforce the positions outlined in our initial [submission](#), while raising additional concerns that we believe must be addressed as part of this review but have not yet been taken into consideration.

SUMMARY OF CONCERNS

The retail sector is facing shortages across a range of skilled and qualified roles that could be remedied through the reformation of the Australian Apprenticeship Incentive System, or introduction of new Government initiatives to bolster a retailer’s ability to support apprentices and trainees.

Like other employer groups that the ARA has engaged with, we are deeply concerned that industry feedback previously provided to the review has not been reflected in the Background Paper. While this may be due to process issues, it does give rise to concerns that stakeholder input previously provided has not been reviewed and/or considered. While the ARA represents the retail sector, we note a shared sentiment among employer groups that the review is failing to address industry concerns outlined in previous submissions to the review.

However, it is encouraging that DEWR has indicated that this review will inform future policy decisions and directions.

The ARA will persist in advocating for essential changes to the apprenticeship and traineeship system to ensure the retail sector can address gaps in skills, experience and qualifications. We emphasise that any recommendations made to the Government resulting from this review should be carefully considered and reflect the views and current needs of industry.

RESPONSE TO THE BACKGROUND PAPER

1. Hiring incentives are directly correlated with entry and completion rates

The Background Paper clearly articulates a relationship between the removal of the hiring incentives for employers in non-priority sectors, and the decline of learner completion rates. Interestingly, the paper also provides commentary about the relationship between small business viability and learner non-completion rates, a position and relationship further bolstered by industry consultation and highlighted within our initial [submission](#).

The background paper remarks **[at p.12]**

As Figure 7 shows, 2012 saw a peak in apprentice commencements by existing worker status, immediately followed by a sharp decline. This decline was driven by a series of policy changes in 2012–2013, in response to recommendations made by the 2011 Expert Panel Review to redirect Australian Government employer incentives to support apprentices and their employers in occupations that are priorities for the Australian economy (McDowell et al. 2011).

The paper also notes **[at p.16]**

The fact that small employers as a group tend to have lower completion rates than larger employers is particularly significant because about 2 in 5 apprentices work for small employers (NCVER 2023a; unpublished DEWR data as at 31 March 2024). A number of studies report that some small businesses may not have enough capacity to provide a high-quality training environment and support for their apprentices because of resource constraints and lack of mentoring expertise (Bednarz 2014; Dickie et al. 2011; O'Dwyer and Korbel 2019).

However, the Background Paper relies on the report made by the Productivity Commission (2020) **[at page 32]** that we believe falsely reports that employer incentives are not valuable or effective.

Overall, given their limited effectiveness relative to scale, employer incentives do not appear to offer a good return on investment. Increasing the size of incentives is unlikely to be prudent. Further, it is important to recognise that employers benefit from engaging in apprenticeships and need to have 'skin in the game'.

The inclusion of the Productivity Commissions' findings is problematic given the significant differences in the economic and business landscape between 2020 and 2024. The research was conducted before the COVID-19 pandemic, the surge in inflation and the ongoing cost-of-doing-business crisis - as such, these findings fail to reflect the current challenges faced by employers on our sector.

It is important that this review should not minimise or misrepresent the experiences of the retail industry, based on data and insights that fail to reflect current pressures on business. As such, regard must be given to the current relationship between employer incentives and learner entry and completion rates, against the backdrop of financial and workforce pressures faced by businesses today – not in 2020.

These incentives improve the ability for an employer to engage, train and continually employ an apprentice or trainee. While there is a strong case for continuing to provide these hiring incentives in priority industries, we reiterate the position made in our previous submission that the benefits of a strong apprenticeship and traineeship system extend into so-called low-priority industries as well, including retail.

2. Learners may not complete their training for a range of reasons

The Background Paper also refers to data that falsely gives the impression that low completion rates in retail and hospitality can be attributed to low pay or the poor conduct of employers. The ARA rejects this proposition and notes there is a myriad of reasons as to why a learner may not complete their training.

As noted within our first submission, pay or working conditions is not the sole reason an apprentice or trainee may leave their apprenticeship or traineeship.¹ Some large retailers (deidentified) that operate RTO's report (see Figure 1) that less than 1% of learners left their training program because they wanted a 'change of employer', while 13% left for 'personal reasons' and 54% 'resigned' from the industry.

This data highlights learners may leave training programs for a variety of reasons, and these reasons are not necessarily attributed to pay or dissatisfaction with employers.

¹ ARA Initial Submission to the Review | <https://www.retail.org.au/policy>

Figure 1

Cancellation Reason	Percentage
Resigned	54%
Employee could not meet minimum hours	15%
Personal reasons	13%
Change of qualification	6.7%
Change of employer	0.7%
Termination	5.2%
Poor performance	2.5%
Change of visa status	0.1%
Left school	0.5%
Expired	0.9%
Promotion	0.7%

Disclaimer: This evidence is aggregated for privacy reasons. To establish the reliability of this data, the ARA can provide further information to DEWR upon request.

3. Private RTOs deliver higher completion rates and greater connection with regional and remote areas

The Background Paper fails to acknowledge the relationship between high-quality training programs and strong learner completion rates. As we have highlighted within our initial submission, private RTOs are among the highest quality educational and training providers within the VET sector, consistently boasting higher completion rates² and higher levels of student satisfaction³ than other training providers. Some of our retailers that operate RTO’s report a 95% satisfaction rate with these types of training programs.⁴

We also note that private RTO’s (deidentified), comparative to TAFE or other training providers, have higher entry and completion rates for apprentices and trainees within regional areas (See Figure 2). In recent years, students from regional and remote areas have become increasingly more likely to access VET through a private RTO rather than a public provider such as TAFE.⁵

As outlined in our initial [submission](#), we believe that private RTO’s have a positive role to play in delivering apprenticeship and traineeship programs for the retail sector, and should be considered in future policy and investment decisions by government.

Figure 2

Regional Completions 2011-2023										
State	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total	%
Regional Completions	72	7,321	232	8413	343	990	5,200	920	23,491	54.44%
Total									43,149	

Disclaimer: This evidence is aggregated for privacy reasons. To establish the reliability of this data, the ARA can provide further information to DEWR upon request.

² NCVER, VET Qualification Completion Rates | ncver.edu.au/news-and-events/media-releases/vet-qualification-completionrates-increase

³ Independent Tertiary Education Council of Australia | <https://www.iteca.edu.au/state-of-secto>

⁴ ARA | Deidentified member feedback 2024

⁵ Jobs and Skills Australia | <https://www.jobsandskills.gov.au/download/690/vocational-education-and-training-regional-rural-and-remote-australia/983/vet-regional-rural-and-remote-australia/pdf>

5. Apprenticeships and traineeships offer wider benefits to employees and the labour market

The Background Paper fails to consider the role of the apprenticeship incentive system in securing a skilled workforce and cultivating meaningful employment opportunities for employees.

The retail sector offers essential entry-level employment opportunities for young people and other workers who may have limited skills or experience. Facilitated by the incentives model, retail employers can upskill their teams, fostering the development of a skilled workforce. Simultaneously, employees can access training programs while being paid, that are short-term, cost-effective and result in positive employment outcomes.

This creates positive impacts for the labour market as individuals in the workforce become more highly skilled, which can foster career progression and long-term employability – within and outside the retail sector. For school-aged students, retail school-based traineeships also improve the ability of some students to attain their Higher School Certificate.

The continuation of this program and hiring incentives for retail and hospitality is therefore vitally important - not just for the sector, but the wider labour market.

6. Uniform national RTO requirements would facilitate greater entry and completion rates

The Background Paper remarks on the role of state and territory governments in regulating apprenticeships and traineeships.

Given the rules for the approval of training contracts, the process for determining which qualifications and occupations can be undertaken as an apprenticeship or traineeship, and the registration of training organisations all differ by region, it would be beneficial for the review to consider the relationship between different state-based VET qualification and funding requirements, and apprenticeship and traineeship non-completion rates.

The difference in the qualification system across states creates added complexity for RTO's administering training programs nationally. This creates added challenges to RTO's and businesses attempting to navigate these requirements and can work to disincentivise RTOs from continuing training programs.

As part of this review, it would be important to explore the relationship between apprentice and trainee non-completion rates, the qualifications frameworks and VET qualification requirements across states.

CONCLUSION

As outlined in our initial submission and this response to the DEWR Background Paper, employer hiring incentives play a critical role in the adoption of apprenticeships and traineeships in the retail sector, which (in turn) create positive outcomes for the workforce and broader labour market. We believe it is important to consider industry feedback as part of this review, rather than relying on outdated data points.

We strongly believe that the retail sector's ability to support the uptake and completion of apprenticeship and trainee programs is closely tied to Government decisions and the availability of employer hiring incentives. Without government support, the higher training and supervision costs associated with hiring trainees and

apprentices creates additional pressures for business (particularly for small business) as the costs-of-doing-business crisis impacting our sector continue to intensify.

We also recommend reviewing the broader context behind non-completions of apprenticeships and traineeships, including the role of qualification and funding frameworks that vary on a state-by-state basis. We also think it is important that the review acknowledges the role of private RTO's in creating meaningful training programs for learners, with higher completion rates and student satisfaction.

We thank you for the opportunity to make this secondary submission. Any questions should be directed to policy@retail.org.au.