



Apprenticeships and traineeships in the downturn

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Australian Government
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About the research

Apprenticeships and traineeships in the downturn

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The purpose of this paper is to describe what we know about apprenticeships and traineeships, with a view to assessing the likely impact of the current economic downturn on them.

Key messages

- There is considerable evidence that the downturn has hit apprenticeships, although there appears to be a lesser effect on traineeships.
- In terms of what matters, we argue that it is commencements rather than completions that need attention.
- Policies need to distinguish between apprentices and trainees and take account of the very different circumstances that apply at the occupation level.
- It is important in the debate to remember the genesis of traineeships—the high levels of unemployment in the 1980s. They were primarily seen as a way of reducing unemployment, rather than a skilling strategy. This may be particularly pertinent to disadvantaged groups for which traineeships may be especially important.

Tom Karmel

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Apprenticeships and traineeships in the downturn

Introduction

Apprenticeships have a very long history in Australia, building on the traditions of the medieval guilds. The essence of the apprenticeship is the contract of training—a legal contract between an individual, an employer and a training provider. The defining characteristic is the combination of employment and training. While the traditional apprentice was a young man working full-time in a trade, in recent decades the model has been applied to a much broader set of occupations and to a wider section of the population, beginning in the 1980s with Peter Kirby’s (Committee of Inquiry into Labour Market Programs 1985) recommendation for the introduction of traineeships, at a time of high youth unemployment.

While all facets of education and training are affected by the state of the economy, apprenticeships and traineeships are potentially very sensitive, because they involve employment. The purpose of this paper is to marshal what we know about apprenticeships and traineeships, with a view to assessing the likely impact of the current downturn on them.¹

We first provide some brief history and a description of apprentices and trainees. This is followed by a summary of relevant research on the likely impact of the downturn on apprenticeships and traineeships, while the following section discusses briefly what the research says about ways of increasing completion rates of apprentices and trainees. Next we present the latest data on apprenticeship and traineeship numbers. The paper ends with some concluding comments.

In brief, we argue that it is important to think about apprenticeships and traineeships at a disaggregated level. The trades are very different from other apprenticeships and traineeships, and there are differences within the trades.

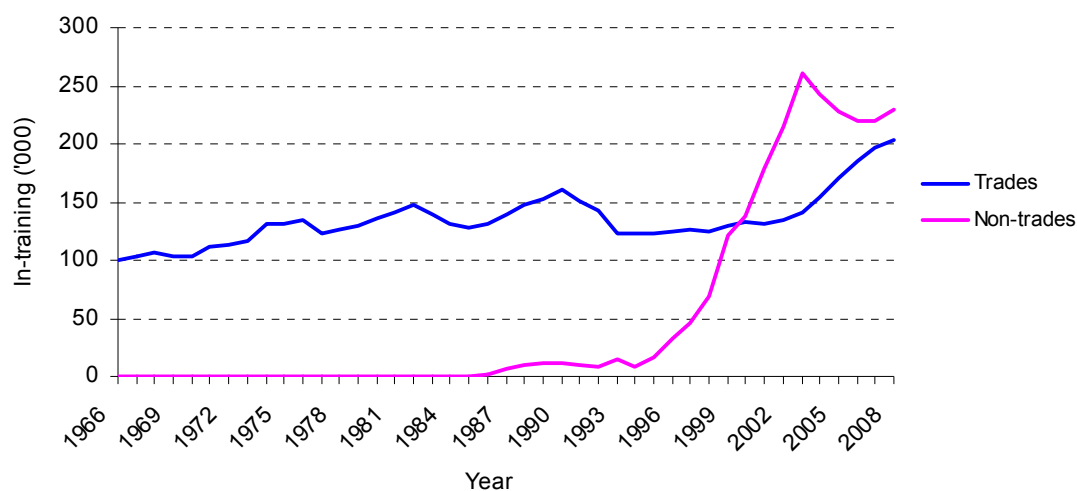
Our view is that trade apprenticeships will be more seriously affected than non-trade traineeships. This view is based on historical observations and theoretical considerations (noting that traineeships have expanded over a period of solid economic growth since we have no direct evidence of what happens in a downturn). The latest data are consistent with this view. In terms of improving completion rates we suggest that rates may improve during the downturn, independent of any efforts of government, because apprenticeships and traineeships become more attractive in an unfriendly labour market. However, the latest data suggest this pattern for trainees but not for apprentices, for whom attrition rates have increased marginally.

¹ As a convenience, we label those with a contract of training in the trades (technicians and trades workers in the Australian and New Zealand Standard Classification of Occupations [ANZSCO]) as *apprentices* and those with a contract of training in other occupations as *trainees*.

Background

As can be seen from figure 1, apprenticeships are a very well-established plank of the vocational education and training system. Traineeships were introduced in the 1980s, but numbers did not grow significantly until the second half of the 1990s. This growth was underpinned by Commonwealth incentives and a relaxation of a number of constraints. Over a relatively short period the apprenticeship and traineeship model was expanded to cover older people (previously apprentices and trainees had to be younger than 25 years), part-time workers, existing workers and school students.

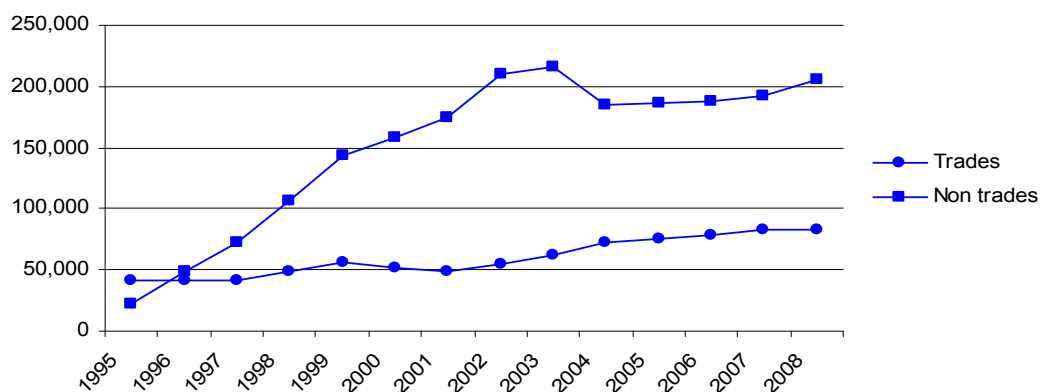
Figure 1 Apprentices and trainees in-training at 30 June, 1966–2008 (trades and non-trades)



Source: NCVET (forthcoming).

While figure 1 indicates that apprentice numbers are more or less commensurate with trainee numbers, this is due to the longer duration of apprenticeships compared with traineeships. In fact if we look at commencements, trainees dominate, as can be seen from figure 2.

Figure 2 Apprenticeship and traineeship commencements, 1995–2008 (trades and non-trades)



Source: National Apprentice and Trainee Collection, March 2009 estimates, unpublished.

The breadth of the apprenticeship and traineeship system is notable. In table 1 we show for each occupation, the number and percentage of commencements of contracts of training and the percentage of females, workers over the age of 24 years, part-time workers, and existing workers. A more detailed occupational split up is given in appendix table A1.

Table 1 Apprentices and trainee commencements by 1-digit ANZSCO and selected characteristics, for the year ending 31 December 2008

ANZSCO occupation group	Total	%	Selected characteristics (%)				
			Female	> 24 years	Part-time	Existing worker	AQF cert. III +
Managers	6 064	2.1	69.6	53.2	31.8	45.7	99.8
Professionals	5 307	1.8	28.3	85.3	10.1	77.5	95.6
Technicians and trades workers	85 889	29.8	15.3	20.2	9.4	12.8	99.0
Community and personal service workers	44 302	15.4	71.0	47.7	60.3	20.8	89.4
Clerical and administrative workers	54 325	18.8	63.8	56.5	20.5	41.0	93.9
Sales workers	41 479	14.4	64.0	26.6	58.5	25.1	59.1
Machinery operators and drivers	25 741	8.9	11.6	79.8	8.3	48.9	91.3
Labourers	25 264	8.8	31.2	56.8	34.5	21.7	43.2
Total	288 370	100.0	42.4	42.6	28.9	27.0	85.2

Source: National Apprentice and Trainee Collection, March 2009 estimates.

The table shows the variety of occupations that are now included in the apprenticeship and traineeship system, with substantial numbers among community and personal service workers, clerical and administrative workers, sales workers, machinery operators and drivers, and labourers, as well as the trades. There is also some coverage of manager and professional occupations. There is also considerable variation in the characteristics of apprentices and trainees, with part-timers, older workers (as distinct from school leavers and young people) and existing workers being of considerable importance in some occupations. The trades are quite distinctive in their composition, with young, full-time, new-entrant males dominating (apart from the food trades and hairdressing).

This great variety implies that the effect of the downturn on apprentices and trainees, at least at the aggregate level, is likely to differ from previous downturns, when apprentices were concentrated in the trades.

What the research says: Impact of the downturn

It is conventional wisdom that apprenticeship numbers are linked with the economic cycle (see Kapuscinski 2001, 2004; Toner 2003, Karmel & Mlowtoski 2008). This is not surprising because apprentices are concentrated in industries in which employment itself is cyclical. It can also be explained by the observation that the provision of an apprenticeship by an employer is a substantial undertaking, with considerable costs borne by the employer. Nechvoglod, Karmel and Saunders (2009) find from a series of case studies that the costs of supervision in particular are high and not offset by low wage costs. In fact, on the basis of both employer and apprentice estimates, wages and productive output balance out remarkably well. The authors argue that the high cost of an apprenticeship to an employer is balanced by intangible benefits (such as loyalty, knowing the quality of the training and so on). It stands to reason that in an economic downturn

these intangibles are likely to be less attractive and therefore it is not surprising that apprenticeship numbers go down.

However, we stress again the importance of looking at the impact of the downturn at a disaggregated level. Karmel and Mlotowski (2008) found that metal and vehicle, electrical, building, printing and food apprenticeships were all cyclical, with the numbers dependent on the level of employment, the level of unemployment and the level of construction employment. Lags also play a role. So if we consider the downturn of 1980–83 we observed total employment down by 40 200, construction employment down by 97 800 and unemployed persons up by 292 300. Thus it is not surprising that we saw metal and vehicle apprentices down 10 400 and building down 2200 over the period 1982–85. Food apprentices bucked the trend increasing by 800 over this period, while electrical apprentices declined by 100. Printing apprenticeship numbers have been affected by longer-term structural changes and we have seen declines in recent years, despite the growth in the economy.

The numbers of apprentices 1967–2006 is shown in figure 3 for metal and vehicle, electrical, building, printing and food occupations.

Figure 3 Apprentices in-training at 30 June by trade occupation, 1967–2006

