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Group training in Australia

A study of group training organisations and host employers

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Publisher's note

Additional information relating to this research is available in the following support documents:

- ✧ *The structure and function of group training companies in Australia* <<http://www.ncver.edu.au/research/proj/nr1031bs1.pdf>>
- ✧ *Group training and host employers in Australia* <<http://www.ncver.edu.au/research/proj/nr1031bs2.pdf>>

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Key messages

- ✧ Group training involves an organisation employing an apprentice or trainee under an apprenticeship/traineeship contract and placing them with a host employer.
- ✧ Since its inception in the 1970s employment in group training companies has grown from just a small percentage of total apprentices and trainees to employing around 14% of the total.
- ✧ Group training appears to complement other training investment rather than substitute for it (that is, without group training less training would occur).
- ✧ Group training companies are highly adaptive and responsive to their policy and commercial environment.
- ✧ Host employers, in the main, are very satisfied with the services provided by group training companies.
- ✧ Seventy per cent of group training apprentices and trainees are hosted by workplaces with fewer than 200 employees.
- ✧ The main reasons for employers using group training are, in descending order of importance: savings on recruitment and selection; avoidance of administrative complexity; saving on employment costs; and lack of continuous work.
- ✧ Government attempts to increase labour market participation of equity groups through group training have proved to be relatively successful.
- ✧ Group training activities are becoming more commercially driven and this may threaten the quality of training generally and, in particular, training opportunities for the more disadvantaged.
- ✧ Newer group training companies (post-1990) tend to be smaller, less likely to be in receipt of government funding (joint policy funding) and more likely to be operating a variety of related labour market activities which have become available through deregulation of labour market and training programs.
- ✧ Deregulation has provided alternative means of financial support for the group training function but means, in turn, less government supervision and more emphasis on price as the basis of competition rather than provision of support services.

Executive summary

Group training is a uniquely Australian phenomenon designed to encourage the employment of apprentices and trainees. It involves an organisation employing an apprentice or trainee under an apprenticeship/traineeship training contract and placing them with a host employer (ANTA 2002). The first group training companies were established in the early 1970s and have grown from employing a small percentage of the total number of apprentices and trainees, to employing today, around 14% of the total. There are approximately 200 group training companies in Australia operating in all states and territories and across most regions.

The rationale for group training lies in a series of increasingly significant impediments to investment in training by individual employers, including reduced organisational size, competitive and budgetary pressures and fragmentation, specialisation of work processes and increased complexity of the training regime.

This study, undertaken by the Employment Studies Centre at the University of Newcastle, involved a literature review and two surveys, one of group training companies and one of host employers—the organisations hosting the apprentices and trainees employed by group training companies. The reports of these two surveys are titled: *The structure and function of group training companies in Australia*¹ and *Group training and host employers in Australia*.² The first survey focused on the supply side of group training and was a comprehensive study of the structure of group training, including elements such as the age, type of legal incorporation and size of group training companies; the types of apprentices and trainees employed; and the functions or range of services offered to apprentices, trainees, employers and the community. The second survey examined the demand side of the group training system and attempted to identify the reasons for host employers' use of group training company services. This survey was also designed to explore their experience of these services.

There are two main findings from this research. First, group training is a critical component in the Australian skill formation system and, second, increasing commercialisation of group training has the potential to threaten the quality of training generally and, in particular, training opportunities for the more disadvantaged.

The invaluable contribution of group training is demonstrated by the manner in which group training companies have been found, by this study and other research, to be meeting their foundation objective of redressing the impediments to private investment in vocational education. Three facts support this finding. First, the rate of growth of apprenticeship employment in group training over the last seven years is five times greater than the growth of apprentices in training among non-group training employers. Indeed, the overall training rate for apprentices has declined markedly over the last decade, indicative of increasing impediments to private investment in apprenticeship training.

The second issue to support this finding is that the only broad trade occupational group experiencing a buoyant labour market is that of the food trades, yet it is the only one in which group training has a

¹ <<http://www.ncver.edu.au/research/proj/nr1031bs1.pdf>>

² <<http://www.ncver.edu.au/research/proj/nr1031bs2.pdf>>

lower rate of growth of employment than for non-group training employers. Group training has half the rate of growth of food trade apprentices as non-group training employers.

Finally, group training has less than half the rate of employment growth of trainees compared with non-group training company employers. The dramatic and sustained increase in trainee numbers over the past seven years is *prima facie* evidence that there are few impediments to private sector investment in this form of vocational training.

Accordingly, demands that group training should more closely mirror the occupational structure of New Apprenticeships in the broader economy should be treated with caution. Overall, the evidence from this study supports the claim that group training companies complement rather than act as substitutes for non-group training company investment in apprentice training.

On the other hand, it should be remembered that the main motivation for employers to host apprentices and trainees from group training companies, according to the results of our survey, has been the saving in time and resources associated with the employment of these people. The main reasons cited for using group training were the opportunities it provided to avoid the costs and administrative complexity incurred in employing apprentices and trainees. This is surprising, since we expected, given the predominance of small employers, the reason for using group training related to difficulties in providing training opportunities.

While this finding obviously needs to be tested further, one possible interpretation is that group training is used by employers to reduce the various costs associated with the employment of apprentices and trainees, costs which have been increased substantially by the well-documented administrative complexity of the training system. Perhaps then, to the extent that government assists group training, and thus indirectly subsidises the training costs of employers, it is only compensating them for expenses arising from the complex administrative system it has established.

Regardless of motivations underpinning the demand for their services, group training companies have demonstrated, especially over the last decade, an ability to respond judiciously to the changing policy and commercial environment in which they operate. This is evident from the growth in the scope of their operations since the early 1990s, to include a very broad range of labour market and training-related activities, in addition to their 'core' group training functions. For many group training companies, these other activities account for the bulk of their employment.

Indeed, around three-quarters of those employed by group training companies are engaged in non-core group training activities, implying that a large share of their income is derived from such activities. This figure also reflects the growth in commercial opportunities due to the privatisation of government-funded labour market and training programs and the development of 'user choice', designed to create a 'market' for training. In turn, the participation of group training companies in these commercial opportunities was driven, in large part, by government policy introduced in the early 1990s to make group training less reliant on direct government grants to fund their core activities.

These findings suggest group training companies have not become less financially dependent on government; rather, the mode of funding has changed from being predominately direct grants for the conduct of core group training functions, to indirect financing based on the operation of government-funded labour market and training programs. An important corollary of this is that government policy needs to be cognisant of the effects of changes to these programs, as they could adversely influence the viability and growth of individual group training companies as well as group training as a whole. This study found evidence for some degree of cross-subsidisation of core activity by non-core activities. These are issues that require further policy and empirical research.

This shift into related labour market activities was found to be only one aspect, albeit a very important one, of the increased commercialisation of group training. For example, there has been an expansion of for-profit group training companies over the last decade, but it has been driven

largely by the expanding commercial opportunities as a result of the sustained growth of traineeships and privatisation of labour market and training programs. For sound commercial reasons these group training companies are focused on traineeships, in which there is high growth and high turnover and which have less of a traditional 'pastoral care' orientation and are less focused on disadvantaged groups.

The survey results indicate that these newer group training companies are less likely to offer rotation of apprentices and trainees and support services. They are also much less likely to receive government grants for the operation of their core group training company function. According to the Australian National Training Authority (ANTA), in order to be competitive, these newer group training companies have, in the servicing of host employers, shifted more towards price and away from the provision of a broader range of services. This shift could make it difficult for older group training companies to continue to provide the range of support services, which are not only traditionally expected of group training companies receiving joint policy funding, but are now formally defined in the national standards for group training organisations. These standards do not apply to group training companies which do not seek joint policy funding.

A monitoring regime is required to determine the effect of national standards for group training organisations in terms of the range and quality of services offered. This monitoring regime should also examine the effects of group training companies which operate outside the national standards on those which are standards-compliant. Tied to this are considerations of equity, given the likelihood that it will suffer, as group training becomes more commercialised.

In addition, it seems there is considerable scope for further expansion of group training in certain states, such as New South Wales, where group training has a much lower share by comparison with other states. This has increased importance in the light of the finding that group training companies complement other forms of New Apprenticeship provision. Moreover, it is likely that their participation in New Apprenticeships increases the level overall. It is suggested that further research be devoted to this topic.

Finally, the survey found that group training companies nominate, as one of the key reasons for apprentice and trainee non-completion, 'the apprentice or trainee deciding they were unsuited to the job'. This suggests there is some scope for improved recruitment procedures, whereby prospective apprentices and trainees are alerted to the types of work and wages and conditions they are likely to experience in their employment. An expansion of pre-vocational courses conducted in-house or elsewhere, to act as a feeder mechanism for employment in group training companies, could be established to act in this role.

The large number of apprentices and trainees transferring their contract of employment to host employers and other employers is another area warranting further research. In particular, it is important to determine whether there is a significant difference in rate of transfer to other employers between group training and non-group training apprentices and trainees. Host employers reported that, when they wished to employ an apprentice or trainee directly, those they had previously hosted through group training were an important source of such labour. A high rate of transfer of apprentices and trainees to host and other employers while the apprentice or trainee is still in training may mean that the conventional approach to measuring completion of group training may require some evaluation.

Background

Overview

This report summarises two research projects on group training, *Structure and function of group training companies in Australia*³ and the *Group training and host employers in Australia*,⁴ both undertaken by the Employment Studies Centre at the University of Newcastle for the National Centre for Vocational Education Research (NCVER). The summary also draws on other relevant research where it illuminates the results or has implications for policy in this area.

The *Structure and function of group training companies in Australia*, focused on the supply side of group training and offered a comprehensive study of the structure of group training, covering aspects such as the age of the organisation; type of legal incorporation; their size; the types of apprentices and trainees employed and the functions or range of services offered to apprentices, trainees, employers and the community. *Group training and host employers in Australia* examined the demand side of the group training system by identifying the reasons for host employers' use of group training company services and their experience of these services.

While there have been several other studies of group training which are summarised in this report, these studies focused largely on a few specific issues and often used small samples as the basis of analysis. Consequently, the purpose of the two studies prepared for the NCVER was to address this deficiency in the knowledge of group training and to provide a benchmark for future quantitative and qualitative studies on these organisations.

This study finds that group training has an increasingly important role in the maintenance and growth of the Australian apprenticeship and traineeship system and related services. Consequently, it is important that the quality of training and related services offered by group training companies to apprentices, trainees and employers is continuously improved. It is hoped that the following report, by providing a solid factual basis for decision-making, will contribute positively to well-founded policy development and the future growth and quality improvement of group training in Australia.

Introduction to group training

Group training is a uniquely Australian phenomenon designed to encourage the employment of apprentices and to find jobs for unemployed or 'out of trade' apprentices. The first group training companies were established in the early 1970s and have grown from employing just a small percentage of the total number of apprentices and trainees in the 1980s, to employing around 14% of the total today. There are around 200 group training companies in Australia (excluding multiple sites owned by a single group training company legal entity) operating in all states and across most regions.

³ <<http://www.ncver.edu.au/research/proj/nr1031bs1.pdf>>

⁴ <<http://www.ncver.edu.au/research/proj/nr1031bs2.pdf>>

The recent national review (ANTA 2002) defined group training as:

... an employment and training arrangement whereby an organisation employs apprentices and trainees under an apprenticeship/traineeship training contract and places them with host employers.

The organisation undertakes the employer responsibilities for the quality and continuity of the apprentices' and trainees' employment and training and also manages the additional care and support necessary to achieve the successful completion of the training contract (ANTA 2002, p.3).

Originally, the focus of group training company operations was traditional apprenticeships but, as the following survey results show, the scope of operations has expanded greatly. Group training companies now employ many more trainees.⁵ Group training companies also operate New Apprenticeship Centres, Job Networks, registered training organisations (RTOs), labour hire and other commercial activities. There is however, considerable variation across group training companies in the size and scope of their individual operations.

The rationale for group training lies in the variety of 'market failures' or impediments to employer investment in vocational training, which it appears are responsible for the level of such investment being below what is socially and economically viable. By employing apprentices and trainees and hiring these employees out for varying periods of time to businesses in the private and public sector ('host employers'), group training redresses these impediments. They have been identified by Buchanan, Evesson and Briggs (2002) and Toner (2003) as including:

- ✧ the difficulty employers have ensuring they fully recover the cost of investment in a person's training before that person finds employment elsewhere
- ✧ the four-year term of most apprenticeships resulting in many apprentices being laid off before they complete their training due to cyclical downturns leading employers to shed labour
- ✧ tariff reductions, globalisation and National Competition Policy creating an increasingly competitive environment which constrains employer investment in training
- ✧ the increased reliance of employers on trades labour supplied by labour-hire firms, although these firms undertake very little apprenticeship training
- ✧ the corporatisation and privatisation of public utilities over the last 15 years, reducing public sector employment of apprentices without a compensating increase by the private sector
- ✧ the reduced average size of firms in many industries, such as construction, and electricity, gas and water which traditionally employed a large proportion of apprentices. This reduction is due to downsizing and outsourcing of production and has resulted in less training as smaller firms undertake less training than larger firms
- ✧ smaller and more specialised firms being unable to offer the variety of work experiences required to produce well-rounded tradespersons
- ✧ an increase in the perceived complexity of the training system and associated administrative arrangements making employers averse to participation in formal training.

These impediments more adversely affect employer investment in apprentices than in trainees, as the latter have experienced rapid and sustained growth in the private sector since the mid-1990s. (This is discussed in more detail later in this report.) These impediments apply particularly to the construction, metal and electrical apprenticeships, and to a lesser extent, vehicle apprenticeships. It is argued later that these impediments, and group training action to redress them, largely account for the disproportionate share of these types of apprenticeships within group training companies.

⁵ Since 1998 the Commonwealth combined the apprenticeship and traineeship systems into a single new administrative apparatus, New Apprenticeships. However, given the fact that the distinction is still made by many employers and many states continue to distinguish between apprenticeships and traineeships in their legal and administrative systems, separate data for the apprenticeships and traineeships were collected for this report.

A review of the literature

Most of the literature on group training centres on four issues:

- ✧ resourcing and funding
- ✧ completion rates or non-completion and recruitment
- ✧ equity issues
- ✧ best practice and quality performance.

Resourcing and funding

Misko (1997) among others, points out that group training originally developed during the 1970s in the building and automotive repair industries to overcome problems associated with small enterprises and increasing skill shortages. Government funding for group training commenced in the 1980s as a result of a major recession which resulted in high unemployment amongst apprentices.

In the history of resourcing and funding, the early 1990s and particularly 1991, emerge as a watershed. In that year, the bi-annual review by the Commonwealth Department of Employment, Education, Training and Youth Affairs (DEETYA) resulted in a recommendation that government funding be reduced in an attempt to encourage group training companies to become self-sufficient through the adoption of an increased range of activities. While this recommendation was never implemented (being in fact shelved in 1993 because of the economic downturn of the time), it was found by KPMG (1997) to have influenced group training companies in the diversification of their activities with a view to greater self-sufficiency. Their new activities involved their offering various forms of assistance to business on a commercial basis, including:

- ✧ training (other than that concerning their own apprentices and trainees)
- ✧ employment placement services often stemming from the outsourcing of the functions of the former Commonwealth Employment Service
- ✧ training and employment services under contract from state/territory governments
- ✧ traditional labour-hire services.

Obviously, government reforms of the labour market have created opportunities to secure some of these alternative sources of income. First of all came the opening-up of the training market which removed the monopoly status of the technical and further education (TAFE) organisations. The second significant reform as far as group training was concerned was the downgrading of the former Commonwealth Employment Service to the position where it was but one of a large number of employment placement agencies.

At present, not-for-profit group training companies are eligible for government funding through 'joint policy', whereby financial support from the Commonwealth, through the Australian National Training Authority (ANTA), is matched by the states. This funding is based on the achievement of negotiated numbers of commencements and completions, with added bonuses for apprentices and trainees in nominated priority areas. Mathers (2000a) claimed that in 1999, of the 200 companies then in operation, 115 were funded from joint policy funds. All group training companies are eligible for Commonwealth incentive payments for the commencements, progression, recommencements and completions of apprentices and trainees, but the not-for-profit companies are generally ineligible for the completion payment. In addition, all companies, depending on their financial viability, may be eligible to receive an additional incentive of \$1000 for every trainee commenced.

The desire to enjoy greater independence from government also influenced the move to self-sufficiency. This became much more obvious after changes to the funding system by the Commonwealth Government in 1995. These changes saw the basis for funding shifting from the

number of apprentices and trainees under contracts of training, to performance-based agreements negotiated with the state and territory training authorities. In this way the government was purchasing outcomes rather than simply supporting the operations of these organisations. However, the House of Representatives (1995) report questioned whether the new system was one of 'accountability or intrusion'. It found that some group training companies in a strong financial situation had announced they were going to deny themselves government funding in order to preserve their independence. The issue of government support remains one of intense interest to stakeholders and researchers.

An important government initiative aimed at increasing training and employment opportunities was the 'New Apprenticeships Through Group Training Expansion Programme' established in May 1997. An extensive review of this program conducted by Mathers (2000a, 2000b) found that, despite considerable initial interest in the program, only 16 contracts were established between the Commonwealth and group training companies. Moreover, of the 16 companies which entered into contracts, nine were considered to have performed satisfactorily, two had made limited progress in achieving targets, and five were considered to have performed very poorly, with two having ceased operations altogether. Thus Mathers concluded that the program had under-performed and he identified a number of factors which worked against its success. These included:

- ✧ difficulties in achieving the stipulated minimum increase of 100 apprentices or trainees
- ✧ unrealistic completion rate targets
- ✧ difficulty in achieving equity targets
- ✧ costs of servicing the required proportions of placements with small- or medium-sized businesses
- ✧ cost and complexity of using Australian workplace agreements (AWAs) or other arrangements providing similar flexibility for employers
- ✧ difficulties of ensuring adequate rotation.

Completion and non-completion

The issue of completion and non-completion seems an obvious one to attract the attention of researchers. Not only is receipt of government funding dependent to some extent on completion rates, but it is an obvious measure of performance, especially when group training is compared with training in general. However, when the Mathers review (Mathers 2000a) examined the issue of non-completion, it found that there was nothing in the literature about relationships between non-completions and group training. The only reference it found to group training companies was speculation that their trainees may be more likely to contemplate withdrawal because changing employers could provide them with more difficulties; however, there were inadequate numbers to allow any firm conclusions to be reached. Nevertheless in the same month that Mathers submitted his review, a report prepared for the Department of Education, Training and Youth Affairs (Ray et al. 2000) found that, in relation to apprentices (prior to the introduction of New Apprenticeships in 1998), there was an increased risk of attrition among those employed by group training companies compared with those employed elsewhere, other things being equal. No explanations were provided and it was felt further investigation was required. More recent data from the NCVER reveals that 'there is little difference in attrition for apprentices and trainees employed by group training companies and those employed with private employers' (NCVER 2001b, p.56)

Closely interwoven with completion rates are the issues of recruitment, applicant quality and down time. Most of the relevant research in this regard centres on training in general and only tends to mention group training companies incidentally. For example, a 1997 study by the Department of Employment, Education, Training and Youth Affairs (1998) looked at the issue of whether employers were able to recruit sufficient apprentices of adequate quality. Its findings in relation to group training companies were that while they experienced a somewhat lower rate of suitable applicant per available apprenticeship position (three) than employers on average (seven), they still

had more than enough. In this study, group training companies reported that the quality of apprentices recruited was high with very few rejections by employers, despite employers' expectations rising in recent years. While the House of Representatives (1995) report claimed that the thoroughness of selection procedures was an important characteristic of group training companies, the Department of Employment, Education, Training and Youth Affairs (1998) concluded that, because group training companies had a lower ratio of suitable applicants than employers in general, there was scope for more effective marketing of services on their part.

Down time, or the lack of access to workplace training for apprentices and trainees, seems critical to successful completion, but the only substantial study into this in recent years seems to be that of Misko (1997) and even this report centres on the labour market as a whole, with group training companies only considered as part of that market. Concentrating on the building, engineering, electrical/electronic, automotive and food industries, Misko gathered data from a wide range of sources and found that just over half of the group training companies involved had some apprentices and trainees not in work placements. The vast majority of those were in the building trades which seemed to be the area causing the most problems in the issue of maintaining work placement. The electrical/electronic, automotive, engineering and food industries seemed to be more reliable in this respect. One of the problems in the building industry was the cost to employers of third- and fourth-year apprentices relative to that of alternative forms of labour, especially tradespeople who were prepared to work for reduced rates in times of work scarcity.

Equity and access to training

In the context of equity and access to training, the Department of Employment, Education, Training and Youth Affairs (1998) study found a strong consensus in the literature about the opportunities that equity groups provided for the growth of group training companies, especially in the light of the government's concerns which translated into direct financial incentives. A serious problem was identified however, concerning the need to provide applicants acceptable to employers. There was no point, it was argued, in group training companies taking on applicants for whom no work placements were available. Thus it was found that the problem lay primarily with a lack of commitment to diversity on the part of employers, although it was suggested that more could be done to educate the staff of group training companies about the management of diversity. Employment of staff from equity groups was identified as one means of assisting in this regard (see also Mathers 2000a, p.16). However, very little research explored solutions to this problem beyond advocating additional funding.

Best practice and quality performance

The fourth issue of interest to researchers, best practice and quality performance, has been extensively researched by the Australian Centre for Industrial Relations Research and Training (ACIRRT). In its first report, this organisation addressed the issue by considering the criteria for official recognition of group training companies by governments (Australian Centre for Industrial Relations Research and Training 1997). Three options were suggested, whereby option 1 used a minimum standards approach, taking into account both the organisational capacity and management systems, on the one hand, and the external environment, on the other; option 2 used an accountable competition model; and option 3, a best practice competition model. It was recommended that option 1 provide the threshold criteria for obtaining initial operation registration, option 2 the threshold for obtaining government support in the form of joint policy funds, and option 3 the criteria for the allocation of funds, for promoting 'best practice'. The second report (Australian Centre for Industrial Relations Research and Training 1998) concentrated on the development of key performance indicators for national quality arrangements and a number of factors were identified as central to achieving quality outcomes. These were:

- ✧ planning
- ✧ field officers' performance

- ✧ down time
- ✧ responsiveness to customer needs
- ✧ management of competition which leads into the issue of recognition and/or accreditation
- ✧ sensitivity to the local labour market.

The development of effective systems of benchmarking was also a recommendation of Dench McClean Associates in their review of financial best practice for the Department of Employment, Education, Training and Youth Affairs (Dench McClean 1998). After an intensive investigation of the financial operations of some 58 group training companies, using a set of nine criteria, three clusters of companies were identified, with the first having above-average performance, the second, average and the third, below-average. The nine criteria were:

- ✧ long-term host debt
- ✧ net worth per total staff
- ✧ working capital ratio
- ✧ working capital per apprentice and trainee
- ✧ cash reserves per apprentice and trainee
- ✧ apprentices and trainees per staff member
- ✧ cash cover of current liabilities
- ✧ apprentices and trainees vs. non-core trainees
- ✧ profit compared to net worth.

The review recognised that most group training companies are not profit-driven, but nevertheless the need to operate in an effective and efficient manner was still considered imperative.

Another aspect of group training company management to receive detailed attention in recent years has been that of their information systems. A report prepared by the New South Wales Department of Education and Training (2000) for ANTA, based on national consultation and a survey of over 140 group training companies, argued that there was little support for the development of a national system of information management. The report found that this was due to a high level of satisfaction with existing systems, the diversity of requirements, the need, in many cases, to link to other systems, and the associated costs and technical difficulties.

However, it was also found that group training companies were not maximising the efficiency or capacity of their systems, which were, in many cases, often quite sophisticated. Thus it was recommended that:

- ✧ tailored education programs be developed for group training company management
- ✧ commercial software vendors be encouraged to seek a more comprehensive appreciation of the needs of group training companies
- ✧ group training companies be encouraged to actively participate in software user groups
(New South Wales Department of Education and Training 2000, p.2)

More recently these evaluations have culminated in the states and Commonwealth agreement on 'national standards', which provide 'a minimum requirement for recognition and eligibility for Joint Group Training Program funding in all jurisdictions'. In addition, the Commonwealth has been approached to 'similarly limit GTO-specific employer incentives to GTOs that meet the Standards' (ANTA 2002, p.5). These standards cover a very broad range of quality issues relating to the management of apprentices and trainees in relation to:

- ✧ host employment

- ✧ group training company financial management procedures
- ✧ record management
- ✧ corporate governance
- ✧ access and equity skills of group training company staff
- ✧ ethical practice

(ANTA 2002, p.5)

The surveys: Introduction and methodology

The empirical data at the heart of the two research projects into group training undertaken by the Employment Studies Centre were gathered through telephone surveys. The questionnaires and sample frames were developed by the Employment Studies Centre in collaboration with various stakeholders, including Group Training Australia, the New South Wales Department of Education and Training, ANTA and, of course, NCVER.

Group training company survey

The principal purpose of the survey of group training companies was to focus on the supply side of the group training system by providing a comprehensive database on selected core characteristics of group training in Australia. These included the corporate structure and ownership of group training companies, staffing of group training companies, the scope of training services provided and industry sectors serviced by group training companies. The rationale for this approach lay at least in part in the relative scarcity of studies of this nature. Most other similar studies focused either on specific aspects of group training company structure/performance, or used significantly smaller samples than that employed by the present telephone survey.

The study also investigated aspects of the management of apprentices and trainees by group training companies, such as rotation of apprentices and trainees amongst host employers and practices for managing down time, learning difficulties and workplace problems, such as poor occupational health and safety (OH&S) standards in host workplaces. The study also investigated recruitment sources and screening strategies used by group training companies, as well as the reasons for non-completion of contracts of training. Various sources were accessed in constructing a database of all group training companies across Australia, including Group Training Australia listings of group training companies and those supplied by NCVER and ANTA.

The total survey sample was 202 group training companies. Of these, 31 were excluded because they could not be contacted or because of double sampling. This resulted in a survey sample of 171 eligible group training companies. A total of 131 eligible group training companies participated, yielding a 76.6% response rate for the survey. The response rate for individual items was very high, ranging between 96% to 100% for all items, with only a few exceptions.

Host employer survey

The host employer survey focused on the demand side of the group training system by examining aspects of host employers' involvement in, and experience of, the system.

The major areas of inquiry in the survey were:

- ✧ the industry sector, size and location of host workplaces
- ✧ the number of apprentices and trainees employed, the number hosted currently, and those hosted three years ago

- ✧ the host employers' level of satisfaction with various aspects of group training and the services provided by their group training company
- ✧ the reasons for hosting apprentices and trainees and the extent to which group training is used as an employment screening device
- ✧ host employers' experiences with hosting apprentices and trainees and their views on aspects such as rotation, and hosting those from disadvantaged backgrounds
- ✧ host employers' views on group training in general and on its future.

A sample of some 228 host employers was constructed with assistance from Group Training Australia and by canvassing group training companies. A total of 173 host employers completed the questionnaire, yielding a response rate of 75.87%. In addition to this high overall response rate, the response rate for individual items was very high, ranging between 93% to 100% for all items, with just a few exceptions.

The telephone interview was conducted with the owner, or the manager, or the human resources (HR) manager. Respondents in multi-site organisations were asked to simply respond in regard to the workplace in which they were located. Thus the actual unit of analysis, strictly speaking, is the workplace rather than the organisation of the host employer as a whole.

Provision of group training services

This chapter summarises the core data on the structure and function of group training companies from the survey of those organisations.

Characteristics of group training companies

Location and size

Group training companies operate in all states and territories and in most regions of Australia, with around 80% located in the eastern states. There is considerable variation across the states in the share of total apprentices and trainees employed in group training. For Australia as a whole, around 14% of all apprentices and trainees are employed in group training. In Queensland and Western Australia over 20% of apprentices and trainees are employed in group training. New South Wales, Victoria and South Australia have approximately half of this share of apprentices and trainees employed in their group training companies. As NCVET argues (2001b, p.31), this wide dispersion in the share of apprentices and trainees employed by group training across the states 'suggests that there is definite scope for group training to increase its presence in some jurisdictions'. Explaining these large differences is also an area for further research.

The Employment Studies Centre survey, found that, at June 2001, group training companies employed 6243 persons in all activities (excluding apprentices and trainees). Of these, 1102 persons (18%) were part-time. The group training companies were also asked to identify the number of employees engaged in 'core group training activities', defined as the recruiting, placement, training and care of apprentices and trainees; 1598 persons were employed in this capacity. Thus only 26% of total group training employees were engaged in core group training functions. This surprisingly small proportion engaged in core group training functions reflects the diversification of group training operations into other training and labour market-related activities.

There is great variation in the employment size of group training companies, with some group training companies employing just one or two workers, while another employs 826 full-time workers engaged in all activities. Most group training companies are small, with 18% or close to one in five employing between 1 and 5 full-time workers in all activities. Fifty-nine per cent of group training companies have 20 or fewer full-time workers engaged in all activities. The median employment size of group training companies is 17. However, the average employment size is 40, implying that, while half of all group training companies have 17 or fewer employees engaged in all activities, the majority of group training employees are employed in larger group training companies. In fact, 94% of all full-time group training employees engaged in all activities are employed in group training companies with more than 20 employees. Another way of expressing this is that just 50 of the 131 group training companies in the sample, or 38% of all group training companies, account for 94% of total full-time employment. Moreover, 64% of all full-time employees are employed in group training companies having more than 100 employees.

These results are consistent with studies in many Australian industries, which show that the majority of firms in an industry are small, but a small number of larger firms account for a

disproportionate share of employment (Industry Commission and Department of Industry, Science and Technology 1997, table 2.1).

Age and legal ownership of group training companies

As noted earlier, group training companies have been operating in Australia for over 30 years. However, only four (3%) of all currently active group training companies were established between 1970 and 1980 (figure 1). Fifty-two per cent of group training companies were established between 1981 and 1990; that is, they are between 20 and 11 years old. Forty-five per cent were established between 1991 and 2001; that is, they are 10 or fewer years old. There are no data on the rate at which group training companies are created, but from anecdotal sources it would appear that once established, group training companies have a high 'survival rate'. The fact that around 85% of group training companies have been operating for more than five years supports this contention. It also implies that group training companies have considerable experience in their operating environment. This contention is reinforced by the fact, as described below, that all group training companies in the sample operate commercial activities in addition to the core group training activity.

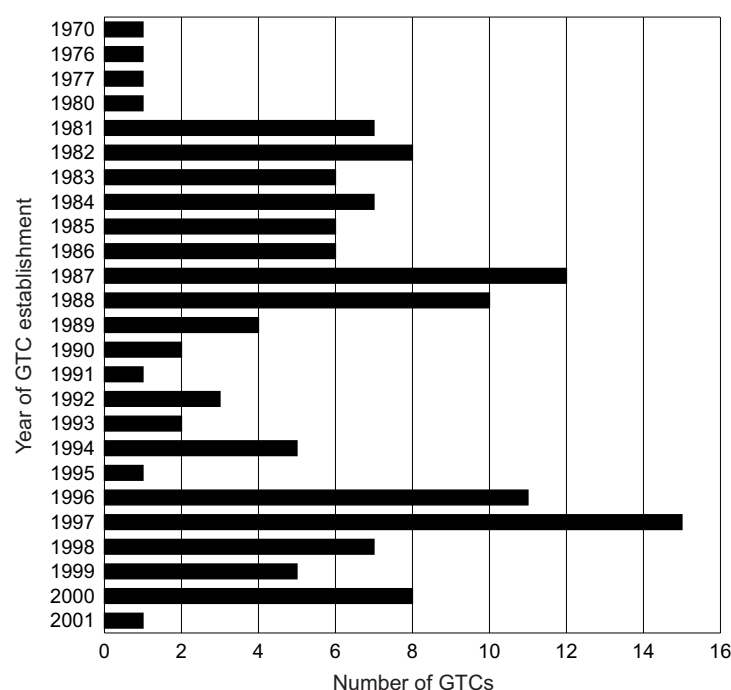
The peaks, plateaus and troughs in the formation of group training companies evident in figure 1 largely reflect changes in government policy, and especially the level of financial incentives available to group training companies. For example, the large and sustained increase in the establishment of group training companies from 1981 to 1988 reflects the introduction of government support for group training resulting from the severe recession in the early 1980s, which saw many apprentices made unemployed and greatly increased the demand for group training company services. The decline in group training company creation in the early 1990s is largely due to reduced support for group training by the government which was aimed at making group training companies more financially independent. The large surge in group training company establishment from the mid-1990s reflects the growth in commercial opportunities for labour market intermediaries, including group training companies, arising from the expansion of traineeships and the privatisation of many associated labour market functions such as New Apprenticeship Centres and Job Networks which occurred over the last decade.

The data in figure 1 would also imply that there are few barriers to entry into the group training company 'industry'. Six new group training companies on average were established each year over the period 1970 to 2001. Assuming the stock of group training companies has remained steady over the last five years (133 group training companies), in some years—such as 1997—the flow of new entrants would have increased the existing stock of group training companies by over 10%. On orthodox economic criteria this is consistent with the claim that the group training company 'industry' is competitive.

Group training companies have a variety of forms of legal incorporation, with 37% being a private company; 32% an association; 2% a cooperative; and 30 having 'other' forms of incorporation such as a trust and public company. The responses to this question were somewhat difficult to interpret, but it would seem that most of this 'other' group were private companies and associations.

Only a minority of group training companies (20%) are owned and operated by another organisation. Most group training companies are, therefore, stand-alone or discrete entities. Of the 26 group training companies which are owned and operated, ten are owned by employer associations, one by a union, six by private companies and the rest by a variety of organisations, including welfare and charitable institutions.

Figure 1: Year of group training company establishment



Note: GTC = Group training company

Source: Group training company survey

Employment of apprentices and trainees in group training companies

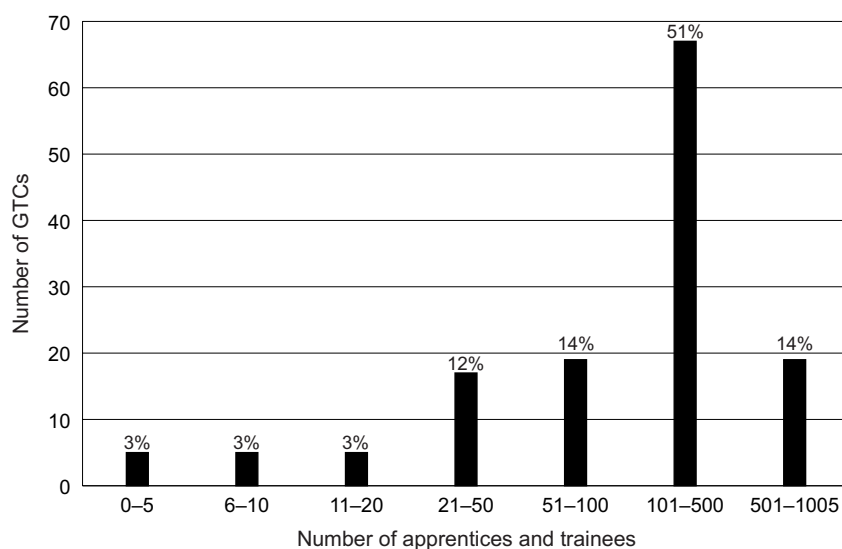
The total number of apprentices and trainees reported by the survey in group training as at June 2001 was 32 441. This was 14% of total apprentices and trainees in Australia. NCVER (2001b, table 3.2) found that, as at June 2000, there were 37 800 apprentices and trainees in group training. This higher number reflects the fact that the telephone survey only had data on 78% of all group training companies.

The average number of apprentices and trainees employed by group training companies as at June 2001 was 250, with one group training company reporting that it employed just over 1000 apprentices and trainees. The median was 173 apprentices and trainees.

Figure 2 shows the distribution of group training companies according to the number of apprentices and trainees employed. From this it can be seen that 51% of group training companies employed between 101 to 500 apprentices and trainees, a further 14% of group training companies have between 501 and 1005, and 35% of group training companies have 100 or fewer.

A somewhat startling result is that 9%, or nearly one in ten group training companies has 20 or fewer apprentices and trainees. However, this is consistent with the earlier findings that a large proportion of group training companies are quite small and that, in many cases, a large proportion of the activity of group training companies is directed towards areas other than group training. The large number of group training companies with low numbers of employees, apprentices and trainees reflects a number of factors, such as group training companies in regional and remote areas which service small populations, and group training companies which have either recently been established or are closing down.

Figure 2: Distribution of group training companies according to number of apprentices and trainees employed



Note: GTC = Group training company

Source: Group training company survey

Employment of traditional apprentices

The total number of traditional apprentices employed by group training companies, as at June 2001, was 19 651. Sixty-one per cent of all apprentices and trainees employed by group training companies are traditional apprentices. This accords closely to the NCVER (2001b, p.16) estimate of 63% of total group training companies employing apprentices and trainees in 2000. Of the total population of apprentices and trainees in Australia, 50% are employed in the traditional trades (NCVER 2001b, p.vii) so that group training companies employ a higher proportion of traditional trades apprentices amongst their apprentices and trainees compared to the share of traditional trades apprentices in the total population of apprentices and trainees in Australia. This is in part a legacy of the history of group training in Australia, as it was developed to cater to the needs of certain industries which employed apprentices. These trends have led the NCVER to observe:

While the general apprenticeship and traineeships system has been moving much more into line with the structure of employment across the entire Australian labour market, group training has not done so at the same rate. (NCVER 2001b, p.vii)

The implication is that group training should mirror more closely the occupational structure of New Apprenticeships in the broader economy. However, other research suggests that demands for group training to more closely match the occupational structure of aggregate apprentices and trainees should be treated with caution. This issue is dealt with below.

Table 1 records the proportion of group training companies reporting that they employed a particular type of apprentice. The large proportion of group training companies reporting employment in the construction trades is to be expected, given that construction firms have a large range of those impediments to continuing employment of apprentices that group training companies are intended to redress. As identified in the first chapter of this report, in the construction, metals, electrical, and to a lesser extent, vehicle industries, the impediments to the employment of apprentices are

intensifying. This is due to factors such as the small size of many firms and the high propensity amongst such firms to discharge employees as business cycles turn down.⁶

Table 1: Percentage of group training companies reporting employment of apprenticeship types

Apprenticeship	Number	Per cent*
Construction	78	67.24
Metals/engineering	59	50.86
Electrical/electronic	52	44.83
Automotive	34	29.31
Cooking/hospitality	22	18.97
Horticulture	13	11.21
Other	7	6.03
Hairdressing	4	3.45

Note: *As group training companies were able to identify more than one type of apprenticeship accommodated by them, the percentages do not sum to 100.

These findings are supported by other data indicating that certain trade apprentices are over-represented in group training companies (table 2). The share of construction trade apprentices in group training companies (21%) is nearly double the share of construction apprentices in total New Apprenticeships (11%). The share of electrical apprentices is nearly 50% greater than that of total apprentices and trainees. It is interesting to note, on the other hand, that hairdressing is significantly under-represented in group training companies (.5%) by comparison with its proportion of total New Apprenticeships (3.9%). The lower share of hairdressing is something of an anomaly, as it too has experienced growing impediments to direct employment by private employers. The lower share of hairdressers contributes to the under-representation of females among group training company apprentices and trainees. The majority of hairdressing apprentices and trainees are female. In 2000, 23% of group training company apprentices and trainees were female; in contrast, 32% of total Australian apprentices and trainees were female (NCVER 2001b, p.26). Again, these industry and gender differences reflect both an historical legacy, as group training was established to service trade apprentices, which are predominately male, and differences in the demand for group training services arising from differences in the economics of training across different industries.

The structure and performance of some industries results in a lower need for, and use of the services of group training, whereas other industries are increasingly reliant on group training, even to maintain their current level of investment in training, let alone increase this investment. It follows therefore is, that demands on group training to extend into other industries and to ensure that the occupational and industry profile and other characteristics of group training apprentices and trainees match those of the total population of apprentices and trainees in Australia, must be critically evaluated. These demands must be tempered by an understanding of the differences in the economics of training across different industries and occupations, and the consequent differences in the level of demand for group training services across different industries and occupations. (This is dealt with in more detail later in this report.)

⁶ For example, many studies have found that the elasticity of employment with respect to changes in the construction industry is higher than for any other industry (Phipps 1986). It is not that the volatility of output in construction is greater than in most other industries; what differs however, is the high propensity of construction firms to put off and put on labour with changes in construction output (Ball 1988). Other industries tend to hold on to or 'hoard' labour as they enter a downturn in a business cycle and are slower to put on labour, compared with construction firms, as the business cycle improves (Toner 2000a, 2000b).

Table 2: Proportion of apprentices and trainees in trade and related occupations employed by group training and total, 2000

ASCO code	Occupation	Percentage of total apprentices and trainees employed by group training	Percentage of total apprentices and trainees employed
41	Mechanical and fabrication	8.1	6.9
42	Automotive	10.2	8.7
43	Electrical and electronic	10.4	7.0
44	Construction	20.6	11.4
45	Food*	8.4	7.5
46	Agricultural and horticulture	1.6	1.7
4931	Hairdressing	.5	3.9
	Other	2.7	3.6
	Trades subtotal	62.5	50.7

Notes: ASCO = Australian Standard Classification of Occupations

While this table refers to apprentices and trainees rather than just apprentices, it should be appreciated that, in these occupations (Australian Standard Classification of Occupations 4 category), there are very few trainees so that the percentages shown above are comprised almost exclusively of apprentices.

* Meat tradespersons, bakers and pastry cooks, cooks, and other food tradespersons

Source: NCVET (2001a, p.17, 2001b, p.65)

Employment of trainees

The total number of trainees employed by group training companies as at June 2001 was 12 832, which constitutes 39% of all apprentices and trainees employed by group training companies. The average number of trainees employed by group training companies was 99 and the median was 54. One group training company employed 578 trainees.

Seventy-six per cent of group training companies reported having clerical/administration trainees; 35% retail and 'other', 33% (table 3). It is interesting to note that there is some element of overlap between the type of apprentice or trainee reported. Group training companies reported that traineeships and apprenticeships for metals and engineering, cooking and horticulture were amongst the most common in their organisations.

Table 3: Percentage of group training companies reporting employment of traineeships

Traineeship	Number	Per cent*
Clerical/office administration	91	7.83
Retail	42	35.00
Other	39	32.50
Cooking/hospitality	28	23.33
Horticulture	19	15.83
Information technology	17	14.17
Metals/engineering	16	13.33
Automotive	12	10.00
Small Business	10	8.33
Construction	8	6.67
Transport	5	4.17
Electrical/electronic	5	4.17
Security	2	1.67
Cleaning	2	1.67
Construction	2	1.67

Note: * As group training companies were able to identify more than one type of trainee they employed, the percentages do not sum to 100.

This reflects the recent rapid growth of traineeships outside traditional ‘white collar’ occupations (NCVER 2001a). It may also reflect a degree of substitution of traineeships for apprenticeships (New South Wales Board of Vocational Education and Training 2001).

Recruitment of apprentices and trainees

Respondents were asked to rank a number of recruitment sources for apprentices and trainees, using a scale of 1 as the most important source to 5 as the least important. The recruitment sources and their associated ranking are tabulated for apprentices and trainees separately and presented in tables 4 and 5. The two sources most frequently reported as being of most importance; that is, sources ranked 1 and 2, were the same for apprentices and trainees, although the percentages differed.

The two recruitment sources most frequently reported as being of most importance for apprentice intake are: by application directly to the group training company, 55% of group training companies; and apprentice intake from schools, 49% of group training companies (table 5). The third most highly ranked source of recruitment, employing out-of-trade apprentices, was reported by 33% of group training companies. The relatively high share of group training companies reporting this source is consistent with the view that a key role of group training companies is to engage unemployed apprentices. Twenty-nine per cent of group training companies indicated a pre-vocational course was their most or second most important recruitment source for apprentices. ‘Other’ recruitment sources were reported as the most or second most important by only 21% group training companies.

The relatively large percentage of group training companies reporting pre-vocational courses as a recruitment source is interesting, as the Commonwealth Government and many state governments have significantly reduced funding or withdrawn funding for pre-vocational training of the type operating in the 1990s. It is possible that responses to this item reflect the fact that some group training companies operate a period of training for prospective apprentices and trainees prior to their being offered a permanent position with the group training company. Group training companies may see this period of ‘probationary’ employment as a form of pre-vocational training. In addition, the question may have been interpreted by some group training companies as applying to school students who had undertaken vocational courses while at school.

Table 4: Recruitment source and associated rankings—apprentices

<i>Recruitment source</i>	Percentage of group training companies*				
	1	2	3	4	5
Prevocational courses	26	3	17	38	13
Employ out-of-trade apprentices	21	12	27	28	8
From schools	30	19	23	21	2
Applies directly to GTC**	12	43	23	9	5
Other	5	16	3	3	36

Notes: *Percentages are rounded to nearest whole integer.

** Group training company

As with apprentices, the two sources most frequently reported (the sum of rankings 1 and 2) as being the most important for trainee intake are: by direct application to the group training company (64%), and from schools, with 38% of group training companies (table 5). However, only 13% of group training companies ranked pre-vocational courses as their first or second most important recruitment source of trainees. Only 21% of group training companies ranked employing suspended trainees (the equivalent of out-of-trade apprentices) as their most or second most important recruitment source. Thirty-three per cent of group training companies ranked employing out-of-trade apprentices as their first or second most important source of recruitment.

Table 5: Recruitment source and associated rankings—trainees

<i>Recruitment source</i>	Percentage of group training companies*				
	1	2	Ranking 3	4	5
Prevocational courses	10	3	20	46	19
Employ suspended trainees	18	3	34	28	13
From schools	26	12	24	17	9
Applies directly to GTC**	26	38	10	4	4
Other	7	27	5	1	24

Notes: *Percentages are rounded to nearest whole integer.

** Group training company

Promotion of New Apprenticeships in the community

All but one group training company indicated they promoted New Apprenticeships in their community. The most commonly cited form of promotion was advertising. This ranged from ads in the print media (for example, newspapers, trade journals and Yellow Pages) and in the electronic media (for example, TV, radio, cinema and websites), to ads on buses or group training company car fleets.

Other strategies reported by group training companies included attendance at trade, career and school expos and forums, and club functions held by various organisations, as well as cold-canvassing of employers, and delivering presentations to schools, potential host employers, registered training organisations, New Apprenticeship Centres and TAFE colleges. Group training companies also indicated a range of personnel being involved in the implementation of their strategies, including their own field officers, as well as specialist marketing and advertising consultants.

Screening procedures used in the selection of apprentices and trainees

Other studies of host employers have found that screening of prospective employees by group training companies is a major factor in the use of group training company apprentices and trainees by host employers (New South Wales Board of Vocational Education and Training 2001). On the basis of the survey data, group training companies appreciate that adequate screening of prospective apprentices and trainees is an important element in their competitive strategy. All group training companies employ multiple screening procedures for prospective apprentices and trainees. There is also great diversity in the range of procedures used across group training companies, with 80% of group training companies using unique combinations of procedures.

Table 6 records the proportion of group training companies using a particular screening procedure. The three most frequently reported screening procedures were: personal interview used by 99% of group training companies; school results to screen applicants used by 86% of group training companies; and giving applicants a literacy/numeracy test used by 71% of group training companies.

Where relevant, respondents were requested to specify what they meant by 'other' screening procedures. They indicated a variety of procedures which include: the administration of a test (for example, alcohol and drug test, general knowledge, aptitude or vocational test and medical tests), checking the personal history of the applicant (for example, referee and police checks) and talking to previous employers and support networks. One group training company reported that it had trialled applicants through the use of work experience and placements, while another reported that they had used TAFE results in preference to school results to screen applicants.

Table 6: Screening procedures used by group training companies

Screening procedure used	Per cent*
Personal interview	99
Use school results	86
Give applicant a literacy/numeracy test	71
Give applicant a practical test	45
Ask applicant to bring in any relevant practical work	35
Talk to parents of applicant	33
Give applicant a medical test	30
Other	24
Give applicant a psychological test	15

Note: *Group training companies could report more than one type of screening procedure, and therefore the column total does not sum to 100.

Completion and non-completion

As noted in the literature review, other research indicates that apprentice and trainee completion rates, as conventionally measured, are the same as for total apprentices and trainees. Of considerable interest are the reasons identified by group training companies for their apprentices and trainees failing to complete their contract of training. The most important reasons for New Apprenticeship non-completion, in descending order of importance, were:

- ✧ deciding they were unsuited to the industry or job
- ✧ finding employment elsewhere
- ✧ moving out of the region
- ✧ inadequate performance in off- or on-the-job training
- ✧ substandard quality of work or attendance at the workplace.

Poor interpersonal relationships between apprentices and trainees and staff or with other students at the group training company was the least common reason for non-completion.

In addition to these reasons, a very large proportion of group training companies reported that the apprentice or trainee transferred their contract of training to a host employer (37%) or transferred their contract of training to a non-host employer (23%). This is consistent with anecdotal advice and the results of the host employer survey that host employers use group training company apprentices and trainees as a recruitment mechanism, given that firstly, the group training companies put prospective apprentices and trainees through multiple screening procedures; and secondly, the host employer can engage multiple group training company apprentices and trainees to find persons who have the qualities they seek.

There are a number of key policy implications from these results. Firstly, the fact that group training companies nominated, as one of the key reasons for apprentice or trainee non-completion, ‘the apprentice or trainee deciding they were unsuited to the job’, suggests there is some scope for group training companies improving their recruitment procedures. Improved procedures could include group training companies informing apprentices and trainees more fully about the type of work, the wages and employment conditions of their New Apprenticeship. (Enhanced information for apprentices and trainees to improve the selection process and completion rates is a consistent theme in studies of non-completion [Department of Education, Training and Youth Affairs 1999; Cully & Curtain 2001].) Further, an expansion of pre-vocational courses conducted by group training companies or elsewhere as a feeder mechanism for employment in group training companies could be warranted as a means of exposing prospective apprentices and trainees to the type and conditions of work they can expect.

Secondly, the large proportion of group training companies reporting that group training company non-completers transferred their contract of training to a host employer or non-host employer suggests that the notion of apprentice and trainee non-completion for group training companies may need to be more subtle and nuanced. It raises the question as to whether such transfers from group training companies to other employers of apprentices and trainees should be regarded, for the purposes of evaluating group training company performance, as a formal completion by a group training company, or whether a new category of ‘completion’ should be established. Such policy implications however, should be dependent on further research to determine whether the rate of transfer from group training companies to other employers is higher than for transfers of apprentices and trainees across all employers. (Cully and Curtain [2001] found that 44% of apprentices and 11% of trainee ‘non-completers’ had transferred their contract of training to a new employer. This result applied to all apprentices and trainees not just those from group training companies.)

Range of ‘non-core’ group training company activities

In addition to providing core group training services, all 131 group training companies in the survey indicated that they, or their related legal entities, operated other business activities. Just over half of all group training companies engage in only one additional activity. For all group training companies, it is clear that these activities are tightly focused on employment and training-related activities (table 7). In other words, while group training companies are diversified in the range of activities they undertake, these additional activities build on and complement the core competencies of the group training companies.

The majority of group training companies, 64%, operate a registered training organisation; 26% operate general labour hire; 18% operate New Apprenticeship Centres and 17% also operate as Job Network providers. ‘Other’ commercial operations included a broad range of activities, such as participation in Aboriginal, disability, mature worker, work for the dole and migrant employment programs, and other training activities.

Table 7: Additional business activities of group training companies

Additional operation	Number	Per cent*
Registered training organisation	84	64.12
Other commercial or government-supported activity	59	45.04
General labour hire	34	25.95
New Apprenticeship Centre	23	17.56
Job Network provider	22	16.79
Business Enterprise Centre	3	2.29

Note: *This percentage refers to the number of group training companies reporting that type of additional activity regardless of other activities reported. Thus it is not meaningful to sum these percentages.

While all group training companies operate business activities in addition to their core group training function, 57% of all group training companies operate only one other activity in addition to their core group training activities. Of this group, 26% only undertook ‘other commercial or government activities’. For another 25% of group training companies, the only other activity was to operate an registered training organisation. Six per cent of group training companies only operated general labour hire. No group training companies operated only a Business Enterprise Centre or Job Network or New Apprenticeship Centre. There was great diversity in the combination of activities undertaken by the other 43% of group training companies, which operated two or more activities in addition to their core group training company functions.

As noted in the literature review, prior to group training companies diversifying the range of their commercial activities, the Commonwealth Government announced a policy that group training

companies should become more financially self-sufficient. The objective was to decrease their dependence on direct government grants. Fortunately perhaps, demands on group training companies to become more financially self-sufficient coincided with a number of changes in government labour market and training programs which have greatly increased their commercial opportunities. These opportunities are due mainly to the contracting-out of employment and vocational training services and the huge growth in traineeships resulting from changes to rules governing employer eligibility for employment and training subsidies.

Currently around three-quarters of total group training company employment is engaged in non-core group training activities, and assuming that the revenue per employee generated across core and non-core activities is similar, it appears that the bulk of group training company income is derived from non-core activities. These findings raise two key policy issues. First, it is a debateable point whether the changes to government labour market and training programs have made group training companies less financially dependent on government—or whether the form of assistance received has simply changed. In other words, the assistance has largely changed from direct grants for the conduct of core group training functions through either joint policy funding or specific subsidies for group training companies, to indirect support through opportunities to operate government-funded labour market and training programs.

Second, continued and potentially increasing dependence on government funding has important implications for government policy. Governments need to be cogniscent of the effects of changes to these labour market and training programs as they could significantly affect the viability and growth of individual group training companies, as well as group training as a whole. As stated, the fact that core group training activities account for only around 26% of total group training employment implies that the bulk of group training income is derived from non-core group training activities. To what extent then are the current group training functions dependent on the maintenance of this high level of non-group training activity? To what extent is there explicit or implicit cross-subsidisation of core group training activities, such as rent and overheads? There is some evidence that such cross-subsidisation occurs (ANTA 2002, p.24). The effect of the scaling-down or withdrawal of these non-core activities on group training companies needs to be considered. For example, what happens to the capacity of a group training company to conduct its core functions if it loses a government contract to run a New Apprenticeship Centre or Job Network centre? These are issues that require further empirical research and policy analysis.

Changes in group training over time

This section examines a number of key differences between older and more recently established group training companies, and changes to the occupational structure of group training company apprentices and trainees. These results have important policy implications.

Comparisons between older and newer group training companies

As noted in the introduction, group training was first established in the early 1970s and has experienced considerable growth since that time. A variety of statistical tests were undertaken to determine if there are any significant differences between older and newer group training companies and a number of important differences were discovered.

Seventy-one group training companies were established prior to 1990 and had, on average, 360 apprentices and trainees compared to the average for the younger group training companies (established post-1990) of 130. The older group training companies were also more likely to be in receipt of joint policy funding than group training companies established post-1990. Ninety-two per cent of older group training companies received joint policy funding, compared with only 43% of the younger organisations.

This raises a number of issues. One in three group training companies is not in receipt of the funding specially tailored to support them and to assist the development of group training. Moreover, 57% of those organisations which have been established since 1990 do not receive this funding. On the one hand, this could be seen as something highly commendable in that they are less reliant on direct government grants, thus satisfying one of the objectives promoted by the government since the early nineties. On the other hand, it means they are not obliged to meet the various criteria for eligibility for joint policy funding. Certainly, as discussed in the literature review, it was indicated that the outcomes-based funding guidelines introduced in 1995 may have been excessively intrusive and, it must be remembered, that only not-for-profit organisations are eligible for joint policy funding. Moreover, there are other forms of government assistance which means that many of the newer organisations are able to sustain themselves without receiving joint policy funding and thus enjoy a greater degree of independence from government supervision of their group training functions.

This relative independence from government scrutiny, combined with the fact that many of the more recently established group training companies operate on a for-profit basis, raises a number of policy issues. ANTA (2002, p.24) has found that the 'employment and training market' is becoming 'more crowded' as a result of the growth of new group training companies and other organisations such as New Apprenticeship Centres. These changes have shifted competition towards being based 'more on price alone', and has disadvantaged those group training companies which place a high priority on care and support for apprentices and trainees and which employ and attempt to place applicants disadvantaged in the labour market. By contrast, ANTA claims:

... the more newly established GTOs [group training organisations] are more business focused ... and tend to only take those apprentices and trainees that they assess they can successfully place with hosts. Some only handle traineeships in high turnover areas like retail

and business services. They may not articulate as strong a need for a role for providing additional care and support in achieving their outcomes and operate under a more strict commercial philosophy. (ANTA 2002, p.24)

The 2002 agreement on national standards for group training organisations between the Commonwealth and the states recognises these issues by focusing explicitly on issues of quality of service provided by group training companies. Compliance with these standards is intended to be a pre-condition for joint policy funding and for the additional Commonwealth incentive payments available to group training companies (ANTA 2002, p.5).

The type of 'non-core' activity operated by the older group training companies was also found to be significantly different, statistically, from that operated by the younger organisations. Older organisations were more likely to operate a New Apprenticeship Centre, one of the 'other' activities, or a combination of activities, than their younger counterparts, while they in turn, were more likely to operate a registered training organisation, a Job Network provider and general labour hire.

Several other statistically significant differences between group training companies established since 1990 and those established earlier should be noted. Not only are the older organisations likely to be larger and be in receipt of joint policy funding, but they are more likely to be operating a policy of rotation of apprentices and trainees to enrich their training experience. They are also more likely to provide their apprentices and trainees with access to external counselling. On the other hand, the older, larger organisations were found to have somewhat higher student/staff ratios, although this could be compensated for by the greater economies of scale they enjoy and the wider range of additional support services they provide.

A statistically significant difference was also found in the average number of host employers between the two groups, with older group training companies servicing more host employers on average (235), compared to younger group training companies (90). Again, this reflects the size differences between older and younger group training companies.

Older, and larger group training companies have a much higher propensity to service employers in the largest firm size categories. This could be because larger firms like dealing with other large firms, or that older group training companies formed long-term relationships with smaller firms many years ago and both have grown in size together.

Growth in group training share of traditional trade apprentices

As noted earlier, the survey data reveal that group training companies have a higher propensity to employ trade apprentices than do other employers of apprentices and trainees. The following provides additional analysis of these trends and considers their policy implications.

Over the period 1995 to 2000, the number of apprentices and trainees in training increased by 98%, from 139 100 to 275 600 (derived from table 9). Of this 136 500 increase in the number of apprentices and trainees in training, 86% were traineeships.

While the number of trainees employed by group training companies also increased markedly from 2080 in 1995 to 14 140 in 2000, the rate of increase was less than that in the total economy. As a result, group training share of total trainees in training declined from 11% in 1995 to 10% in 2000. Group training contributed only 10% of the total increase in trainees in training. By contrast, total apprentices in training increased by 19 200, of which group training contributed 8240 or 43%. Accordingly, group training companies' share of total traditional apprenticeships increased from 13% in 1995 to 17% in 2000 (table 10). Group training is therefore becoming more significant in the maintenance and growth of the apprenticeship system.

Table 9: Apprentices and trainees in group training compared to total in training, Australia

	1995	2000
<i>Apprentices and trainees in group training</i>		
Apprentices	15 410	23 650
Trainees	2 080	14 170
Total	17 490	37 820
<i>Apprentices and trainees in training</i>		
Apprentices	120 200	139 400
Trainees	19 200	136 200
Total	139 400	275 600

Source: NCVER (2001a, table 22, 2001b, table A4)

Table 10: Group training share of total apprentices and trainees, 1995 and 2000, Australia

	1995	2000
	%	%
Apprentices in group training	13	17
Trainees in group training	11	10
Total in group training	13	14

Source: Derived from NCVER (2001b, table A4)

Does group training substitute for or complement direct employer investment in training?

It is sometimes argued that the growth in the proportion of apprentices and trainees, and especially, apprentices employed by group training companies, simply represents a substitution or transfer of employment responsibilities from business to group training companies without there being any net benefit for the economy. In other words, group training is simply a means for employers to avoid the costs and potential complexities involved in directly employing labour. The view of the researchers is that while there may be some degree of substitution, there is a strong case that, overall, group training companies have complemented or even increased the level of employment of apprentices, over the level that would have been achieved in their absence. Three key trends in the growth of the New Apprenticeship system are used to support this claim.

Firstly, the primary rationale for the allocation of public funds for group training is that it redresses 'market failure' or impediments to the direct employment of apprentices in the private and public sectors.⁷ These impediments were identified in the first chapter of this report. This report argues that the pattern of growth in group training companies of apprentices and trainees is consistent with group training fulfilling this goal. There has been a sustained decline in apprenticeship intake and, more importantly, training rates since the deep recession of the early 1990s. (The training rate is the ratio of apprentices in training to the stock of employed tradespersons). For example, the annual average apprentice training rate between 1987–1992 and 1993–2001 declined by 16.3%. The training rate for metal and electrical declined by 19% and 24% respectively (Toner 2003). This decline is contributing to skill shortages in these trades (Department of Employment, Workplace Relations and Small Business 2002). These data suggest that the impediments employers face in the direct employment of apprentices, and which group training companies were established to redress as a training and labour market intermediary, are becoming more severe. There is no evidence that the occupations in which traineeships are concentrated, such as 'labourer

⁷ The national standards for group training organisations (ANTA 2002, p.73) identify the first of three goals for group training 'to create additional apprenticeship and traineeship opportunities'.

and related' and 'retail and clerical' experience these impediments or are otherwise in shortage (Toner 2002).

It was shown above that over the late 1990s, group training not only significantly increased its share of total apprentices, but also contributed 43% of the increase in the number of apprentices in training. Australia's skill formation system is becoming more reliant on group training companies for the employment of apprentices. These data suggest that group training companies are, to some extent, redressing the impediments, and that the decline in apprentice training would have been greater had it not been for the countervailing effect of group training companies.

More recent data confirm this finding. Over the period 1995–2002 the total number of apprentices in training engaged by non-group training employers increased by 9%. Over the same period, group training increased the number of apprentices in training by 57% (table 11).

The second key trend to support the claim that group training is complementing rather than substituting for private investment in apprenticeships concerns the one major occupational group of apprentices which has experienced significant growth in numbers in training amongst non-group training employers. This group, which covers trades within the food industry, is the only major occupational group of apprentices in which group training has a rate of growth less than that of non-group training employers (table 11). In fact, in the food industry, the group training rate of growth of apprentices in training is close to half that of non-group training employers. Food is also the only major apprentice category to have experienced a rise in the training rate over the last decade (Toner 2003). In other words, it is arguable that there is much less market failure in private investment in food apprenticeships compared with other types of apprenticeship, and this is the only category where the growth in group training employment has been less than non-group training company employment.

The final key trend is that the growth rate in group training of trainees is less than half that amongst non-group training employers (table 11). The astonishing growth rate of traineeships is consistent with the view that they are not subject to anything like the same impediments to employer investment as found for apprenticeships. The fact that the growth of trainees in group training is less than half that in non-group training employers again suggests that group training is acting in a way consistent with the view that its primary goal is redressing market failure.⁸

Table 11: Percentage change in apprentices in training, by employer type, March quarters 1995–2002, Australia.

Trade	Growth in group training 1995–2002 (%)	Growth in non-group training 1995–2002 (%)	Growth all employers 1995–2002 (%)
Construction	34	18	21
Automotive	118	2	13
Mechanical and fabrication engineering tradespersons	40	-27	-21
Electrical and electronics tradespersons	122	5	20
Food tradespersons	23	42	39
Total apprentices	57	9	15
Total trainees	633	1377	1284

Note: Data sourced from NCVER apprentice and trainee data collection, March 2002. Apprentices are defined as Australian Standard Classification of Occupations major group 4 undertaking Australian Qualifications Framework (AQF) level III or higher training.

Source: Group Training Australia (2003, p.11)

⁸ There are other contributions to explaining the much slower rate of growth of traineeships in group training companies. One factor could be the rapid growth of 'existing worker' trainees, since the introduction of this form of traineeship in 1998. By definition, 'existing worker' trainees are already employed in firms, and therefore, do not require the intermediary services of group training companies to find employment and training.

The use of group training

Who uses group training: Basic characteristics of host employers

According to this study and other research, most host employers tend to be small organisations, concentrated in the services, manufacturing and construction industries and distributed fairly evenly between metropolitan and non-metropolitan locations. Very few host employers directly employ apprentices and trainees and the vast majority host only one or two. However, some respondents reported hosting quite large numbers.

Size of host employers

The correlation between host employers and firm size (according to number of employees) developed by the Employment Studies Centre differs markedly from the same correlation made by the Australian Bureau of Statistics (ABS 1998). This is because the former has a much higher proportion of larger firms in the sample (figure 3). There is also a significant difference in the firm size distribution of host employers between the 2002 Employment Studies Centre survey and the Dench McLean Associates survey conducted in 1996.⁹ The difference is attributable in part to differences in sampling technique and sample sizes between the two host employer surveys. In addition, over the intervening five years between the surveys, the number of trainees increased by over 300% to over 200 000 trainees in training. The Employment Studies Centre survey indicates that the average size of firms hosting trainees is larger than those hosting apprentices.

Relevant industry sectors

The industry sectors to which host employers belonged as identified by the main product produced or principal service provided, are shown in figure 4, which also shows the ABS figures for the industry distribution of businesses generally.¹⁰

There is a substantial predominance of respondent organisations in the services sector, 37%, and this matches, almost exactly, the proportion of workplaces in the services sector in the national distribution according to the 1998 ABS statistics. Other industries in which host employers are concentrated are wholesale/retail, manufacturing and construction. In relation to the last two, this concentration is somewhat at odds with the ABS data but is highly consistent with the findings of the Dench McLean survey and is not surprising, given the origins of group training in these industries. It is also consistent with the atypical proportions of apprentices, as opposed to trainees, in group training as discussed in the second chapter of this report.

⁹ Some manipulation of the data was required as each set was configured somewhat differently in its original form. Also 1998, unfortunately, is the last year in which the ABS collected firm size data on the basis of number of employees. This is now measured in terms of turnover. In addition, it must be remembered that the ABS uses organisations rather than workplaces as its unit of measurement.

¹⁰ A number of the standard industry sectors, that is, services, have been combined due to the low number of organisations responding and in order to provide a valid comparison. ABS data for the services sectors were combined in exactly the same way as for the sample.

Figure 3: Percentage of host employers by number of employees firm size data vs. Dench McLean Associates Survey (1996) vs. ABS data

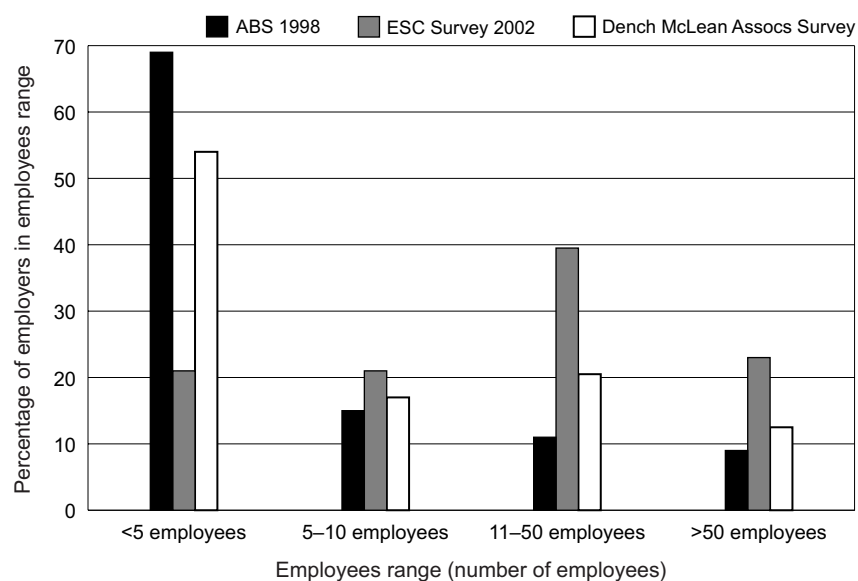
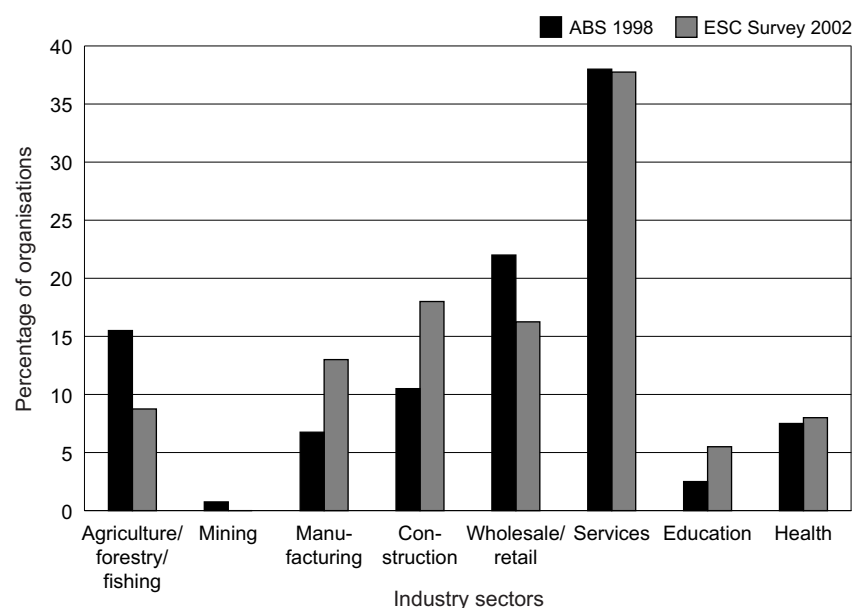


Figure 4: Percentage of businesses by industry sector, Employment Studies Centre sample vs. national data



Location of host employers

In the context of location, it was found that the host employers are almost exactly divided between metropolitan and non-metropolitan locations.¹¹ This is fairly close to the results of the Dench McLean Associates 1996 study which found 54% of host employers based in metropolitan areas, with 46% in rural.

¹¹ To avoid difficulties associated with definitions of metropolitan, urban, non-urban etc., respondent organisations were asked about their location in terms of proximity to a capital city (within approximately 50 kilometres of the city centre).

With respect to geographic distribution across the states, there was a heavy concentration in the eastern states and that corresponds to findings elsewhere. Unfortunately, as shown in table 12, there are no workplaces from the Northern Territory or Tasmania in the sample.

Table 12: Geographic distribution of workplaces

State	Number of workplaces	Percentage of workplaces
New South Wales	40	23.12
Queensland	38	21.97
South Australia	24	13.87
Victoria	42	24.28
Western Australia	29	16.76
Northern Territory	0	0.00
Tasmania	0	0.00
Total	173	100.00

Source: Host employer survey 2002

Direct employment of apprentices and trainees

Perhaps not surprisingly, given that this is a sample of employers who host apprentices and trainees from group training companies, very few were found to directly employ, as opposed to host, apprentices and trainees. Table 13 shows the number of apprentices (traditional trade apprentices) employed directly in the workplace. It can be seen that 86% of respondent workplaces did not employ any apprentices directly, while only five organisations employed more than two.

Table 13: Number of apprentices directly employed

Number of apprentices	Number of workplaces	Percentage of workplaces
0	148	86.05
1	14	8.14
2	5	2.91
3	1	0.58
6	1	0.58
7	2	1.16
9	1	0.58
Total	172*	100.00

Note: * One host employer did not answer question.

Source: Host employer survey 2002

Those host employers who did directly employ apprentices were found to be either small organisations in the services sector or large, to very large, construction companies.

Table 14 shows the number of trainees employed directly, and the pattern here almost mirrors exactly the responses concerning employment of apprentices; that is, again, not surprisingly, very few workplaces directly employ large numbers of trainees.

Those workplaces which directly employ trainees were not found to be readily categorised accordingly to size, industry or location.

Table 14: Number of trainees directly employed

Number of trainees	Number of workplaces	Percentage of workplaces
0	153	88.44
1	11	6.36
2	3	1.73
3	1	0.58
6	1	0.58
10	1	0.58
11	1	0.58
24	1	0.58
28	1	0.58
Total	173	100.00

Source: Host employer survey 2002

Group training as a screening device

Another finding associated with the direct employment of apprentices and trainees concerns the extent to which group training was used as a form of probationary employment, or as a screening device. Respondents were asked if they had directly employed previously hosted apprentices and trainees either before, or after their training was complete. While over half of the respondents indicated that they directly employed previously hosted apprentices and trainees on the completion of their training, less than 10% indicated that they employed previously hosted apprentices and trainees while they were still undergoing training. Given the small number of apprentices and trainees directly employed by the respondent organisations—86% employing no apprentices and 88% employing no trainees—this latter result is not surprising.

Hosting of apprentices and trainees

Hosting of apprentices

Turning to hosting of apprentices and trainees as opposed to direct employment, it was found that over half the workplaces did not host any apprentices and, of those which did, the vast majority only hosted one or two (table 15). However, of those with no apprentices hosted, most were hosting trainees, although some ten respondent workplaces were found to be hosting neither apprentices nor trainees and these organisations are discussed below. At the other end of the scale, seven of the 173 respondent organisations hosted ten or more apprentices.

Hosting of trainees

In relation to trainees (table 16), 39% were not hosting (as opposed to 53% in the case of apprentices) and 34% hosted just one trainee (20% for apprentices).

As mentioned, 10 of the 173 respondent workplaces were hosting neither apprentices nor trainees at the time of the survey. Given that these workplaces had been identified by a group training company as a host employer, it can only be assumed that their present situation had occurred relatively recently. Investigation of the survey data has revealed that, with only one exception, they are small-to-very-small workplaces, belonging predominantly to the services and construction industries and tending to be non-metropolitan.

At the other end of the scale, there are a small number of workplaces which host relatively large numbers of trainees and/or apprentices. These were found, in the main, to be located in non-

metropolitan areas and to belong mainly to the construction and services (especially if health is included in services).

Table 15: Number of apprentices hosted

Number of apprentices	Number of workplaces	Percentage of workplaces
0	91	52.91
1	35	20.35
2	23	13.37
3	4	2.33
4	6	3.49
5	1	0.58
6	1	0.58
7	1	0.58
8	2	1.16
9	1	0.58
10	2	1.16
11	1	0.58
20	1	0.58
23	1	0.58
25	1	0.58
70	1	0.58
Total	172*	100.00

Note: * One host employer did not answer question.

Source: Host employer survey 2002

Table 16: Number of trainees hosted

Number of trainees	Number of workplaces	Percentage of workplaces
0	68	39.31
1	58	33.53
2	19	10.98
3	10	5.78
4	3	1.73
5	3	1.73
6	5	2.89
8	1	0.58
12	1	0.58
14	1	0.58
20	1	0.58
28	1	0.58
40	1	0.58
100	1	0.58
Total	173	100.00

Source: Host employer survey 2002

Workplace size and the hosting of apprentices and trainees

Of the 329 apprentices hosted by employers in the survey, 30% were hosted in workplaces with more than 200 employees. Thus the majority, or 70% of apprentices, are hosted in small-to-medium workplaces. Thirteen per cent are hosted in workplaces with fewer than 10 employees;

23% in workplaces with 10–19 employees; 10% in workplaces with 20–29 employees and another 25% in workplaces with 50–199 employees.

As would be expected, the larger workplaces host, on average, more apprentices per workplace than smaller workplaces. Workplaces with more than 200 employees have on average 11 apprentices per workplace compared to 1.4 apprentices in workplaces with fewer than 10 employees.

Of the 406 trainees hosted by employers in the survey, 47% are hosted in workplaces with more than 200 employees. A significantly higher proportion of trainees than apprentices are hosted in large workplaces. This reflects the fact that most trainees are employed in service industries, such as retailing, hospitality, insurance, and the public service, and in occupations such as elementary and intermediate sales and service (Toner 2002). Many firms and establishments in these industries are large in terms of workplace size. At the other end of the scale, workplaces with fewer than 10 employees host 11% of trainees, while workplaces with between 10 and 19 employees host 12%; workplaces with 20–49 employees host 10% and workplaces with 50–199 employees host 20%.

The average number of trainees in workplaces with more than 200 employees is 24, which is more than double the average number of apprentices in equivalent size workplaces. The average number of trainees in workplaces with fewer than 10 employees is 1.29. This is slightly smaller than the average number of apprentices in the same size workplace.

Rationale: Why employers host apprentices and trainees

Group training originally developed in the building and automotive repair industries and was designed to overcome a variety of impediments to direct employment of apprentices and trainees. These impediments include downturns in business cycles; increased firm specialisation; reduction in firm size; an increased competitive environment; growth of employment through labour hire and privatisation; and corporatisation of public enterprises. More precisely, it was originally intended, at least according to Misko (1997), to overcome problems associated with small enterprises and increasing skill shortages. Thus it was felt important to discover just why host employers in this sample were actually making use of group training and to see if the rationale for group training was still the same as it was originally. To test this, respondents were asked to rank in order of importance the reasons for using group training (tables 19 and 20).

Table 19: Most important reason for hosting apprentices

Reason given	Number of workplaces	Percentage of workplaces
Savings on recruitment selection	41	23.70
Avoid admin. complexity	45	26.01
Lack of sufficient continuous work	23	13.29
Reducing employment costs	36	20.81
Other	28	16.18
Total	173	100.00

Source: Host employer survey 2002

Table 20: Second important reason for hosting apprentices

Reason given	Number of workplaces	Percentage of workplaces
Savings on recruitment selection	39	23.08
Avoid admin. complexity	39	23.08
Lack of sufficient continuous work	12	7.10
Reducing employment costs	29	17.16
Other	18	10.65
No other reason	32	18.93
Total	169*	100.00

Note: * A numbers of host employers did not answer this question.

Source: Host employer survey 2002

There were several surprises from the responses to this question. First, there was a remarkably even spread across the five alternatives and second, the reason suggested by conventional wisdom, given the large proportion of small workplaces, that of lack of sufficient continuous work, proved the least common, well behind savings on recruitment and selection, and avoiding administrative complexity. Even when attention is given to the second most important reason, lack of work still shows out as surprisingly unimportant. While it is hard to understand why this reason did not figure more prominently, given the high proportion of small organisations involved, the results may, on the other hand, demonstrate how much recruitment costs and the administrative complexity of the New Apprenticeship system impact on decision-making concerning training.

The relative unimportance of a lack of continuous work seems consistent with the significant role played by larger firms in group training. However, the critical point in relation to policy appears to be the use of group training, in preference to direct employment of apprentices and trainees, because of the cost savings it enables, rather than because of any innate inability to fully employ those in training. More attention will be given to these findings in the conclusion to this report.

Use of additional services provided by group training companies

Earlier in this report there is some discussion of the way group training companies have diversified their activities in the last ten years and the potential importance of this diversification for the future of group training. Thus it was felt to be important to discover to what extent host employers were making use of the services provided by group training companies which were additional to group training.

Before asking about the use of these other services, respondents were asked if they were aware of the provision of other services, and it emerged that only slightly more than one-third of respondent organisations were aware that their group training company provided other services (table 21). Moreover, of that third of respondents, very few actually used any of the other services (table 22).

Table 21: Awareness of other services offered by group training company

Response	Number of workplaces	Percentage of workplaces
Yes	66	38.15
No	107	61.85
Total	173	100.00

Source: Host employer survey 2002

Table 22: Additional service used*

Additional service used	Number of workplaces	Percentage of workplaces
New Apprenticeship Centre	7	10.61
Registered training organisation	18	27.27
Job Network provider	5	7.58
General labour hire	9	13.64
Business Enterprise Centre	0	0.00
Other	1	1.52
Do not use additional services	26	39.39
Total	66**	100.00

Notes: * Only the primary additional service used by each respondent is included.

** Not all host employers used additional group training company services.

Source: Host employer survey 2002

Evaluating group training

Host employer satisfaction with group training

The most striking outcome of the survey of host employers was their very high level of satisfaction with the services provided by their group training companies. The percentages of employers claiming that they were either satisfied or very satisfied with the various aspects of group training about which they were questioned ranged between 91% and 96%, and when asked to comment generally about group training, 122 of the almost 170 comments received were to the effect that no problems had been experienced and that the program works well. Moreover, these high levels of satisfaction went across all industries, across metropolitan and non-metropolitan locations, and across all workplace size categories.

Table 23 shows the percentages of workplaces which indicated the various levels of satisfaction with three aspects of group training services supplied by their group training companies. These were: general administrative efficiency, cost-effectiveness and quality of apprentices and trainees. Satisfaction with another three aspects, monitoring of the progress and behaviour of apprentices and trainees, support services (for example, training and counselling) provided for apprentices and trainees and performance in the resolution of conflicts between apprentices and trainees and workplace personnel, is shown in table 24.

Table 23: Satisfaction with aspects of group training

Level of satisfaction	General admin. efficiency	Cost- effectiveness	Quality of apprentices and trainees
Percentage of workplaces			
Very satisfied	49.71	35.26	42.77
Satisfied	46.24	56.65	46.82
Dissatisfied	3.47	5.78	5.78
Very dissatisfied	0.00	0.00	1.73
Don't know/not applicable	0.58	2.31	2.89
Total	100.00	100.00	100.00

Source: Host employer survey 2002

Table 24: Satisfaction with further aspects of group training

Levels of satisfaction	Monitoring of progress	Support services provided	Resolution of conflict
Percentage of workplaces			
Very satisfied	41.62	32.37	25.43
Satisfied	47.98	53.76	35.84
Dissatisfied	9.25	6.36	2.31
Very dissatisfied	0.58	0.58	0.58
Don't know/not applicable	0.58	6.94	35.84
Total	100.00	100.00	100.00

Source: Host employer survey 2002

In all six aspects, the levels of dissatisfaction were very low and at the other end of the scale, the percentage indicating ‘very satisfied’ was above 32% in all but one of the aspects of service.

Respondents were asked also to suggest ways in which their group training organisation could improve the quality of its group training services, and while the suggestions or comments related to nine different areas, including communication of information, better quality of apprentices and trainees and better administration and management, 95 out of some 170 responses indicated no problems with the service provided by the relevant group training company.

Rotation of apprentices and trainees to provide broader training

Previous research indicated an expectation that there would be a certain amount of rotation, given the involvement of a large number of small businesses, but Mathers (2000a) expressed some doubt about how much rotation occurs, especially as it imposes increased costs, particularly again in rural areas. Nevertheless, rotation was seen as a potential advantage of group training in that it could provide broader training, and research by KPMG (1997) reveals that one of the core services which group training companies see themselves providing was more broadly monitoring the training needs of the apprentices and trainees through appropriate rotations. A practice of rotating apprentices and trainees is also implicit in the recently agreed national standards for group training. One of the three goals of group training is to ‘improve the quality and breadth of training available to apprentices and trainees, particularly in small and medium sized business’ (ANTA 2002, p.3).

Thus it was felt important to investigate host employer attitudes towards rotation. First they were asked whether they supported the principle of rotation of apprentices and trainees across host employers for the purpose of exposing them to a broad range of skills and work environments. Seventy per cent indicated support for the principle.

Second, those not supporting the principle were asked to provide reasons for their position and these are summarised in table 25.

Table 25: Reason why rotation is not supported

Reason given (frequency of reason given)
Apprentices and or trainees will not acquire sufficient skills (5)
Basically because we will lose the person we have trained up (9)
It won't make that much difference in this industry (1)
Because the skills taught are specific to the business (20)
Because within local government we are large enough to give people a variety of experiences (1)
Continuity: Rotation makes it hard to follow a continued training program (7)
Costs of re-training in is too much (5)

Source: Host employer survey 2002

By far the most common reason concerned skill specificity. That is, it was felt that the relevant skills were specific to the business and that little of value could be learnt elsewhere.

Third, those in agreement with the principle of rotation were then asked if they were prepared to lose good apprentices and/or trainees just so they could gain broader experience elsewhere and 70% of those indicated in the affirmative.

The high degree of support for rotation is somewhat at odds with findings from the group training company survey, as group training companies perceived host employers as being reluctant to lose good apprentices and trainees just so they could broaden their experience. Again this appears to be

an area requiring more investigation, especially given the narrowing of training opportunities as work, in many industries, continues to become more fragmented and more specialised.

Group training and equity

There is a strong consensus in the literature (see Department of Employment, Education, Training and Youth Affairs 1998) about the opportunities that equity groups provided for the growth of group training companies, especially in the light of the government's concerns which has been translated into direct financial incentives. A serious problem was identified however, concerning the need to provide employers with applicants acceptable to them. There was no point, it was argued, in group training companies taking on applicants for whom no work placements could be found. Researchers also claimed that many employers lacked commitment to diversity. With this in mind, the survey set out to discover, first, the proportion of workplaces which were hosting apprentices/ trainees from a disadvantaged group and second, whether they actually experienced any difficulties with them. Only 15% indicated that they were hosting apprentices/trainees from a disadvantaged group, and of these 25 organisations, 13 said they experienced difficulties while 12 said they did not.

The comments relating to the difficulties experienced related mostly to Indigenous students, although the very small number involved must be kept in mind. A much larger survey would be required to assess accurately the extent and nature of problems being experienced in the employment of these people.

The finding that only 15% of respondents were hosting apprentices and trainees from disadvantaged groups may appear to be low. However, other research has found that group training employs a disproportionate share of those disadvantaged in the labour market. Group training accounts for 25% of Indigenous apprentices and trainees in training (NCVER 2001b, p.34). Similarly, group training employs a disproportionate share of apprentices and trainees with a disability (NCVER 2001b, p.36).

Conclusions

Taking the findings of this study, including the surveys of both group training companies and host employers, and the results of previous research, this report concludes that group training is a critical component in the Australian skill formation system.

To begin with, group training companies have shown themselves to be highly adaptive and responsive to the changing policy and commercial environment in which they operate. This is evident from the growth in the scope of their operations over the last decade, to include a very broad range of labour market and training-related activities, in addition to their core group training functions. For many group training companies, these other activities account for the bulk of their employment.

Currently around three-quarters of total group training company employment takes place in non-core group training activities. This implies that a large share of group training company income is derived from non-core group training company activities. The high share of employment engaged in non-core activities reflects the growth in commercial opportunities due to the privatisation of the administration of government-funded labour market and training programs and the development of 'user choice' designed to create a 'market' for training. In turn, the participation of group training companies in commercial opportunities created by these changes was driven, in large part, by government policy introduced in the early 1990s, to make group training less reliant on direct government grants to fund their core activities.

These findings suggests that group training companies have not become less financially dependent on government; rather, the form of assistance has changed from being predominately direct grants for the conduct of core group training functions to indirect support through the operation of government-funded labour market and training programs. An important corollary of this is that government policy needs to be cogniscent of the effects of changes to these labour market and training programs, as they could adversely influence the viability and growth of individual group training companies as well as group training as a whole. This study found evidence for some degree of cross-subsidisation of core activity by non-core activities. These are issues that require further policy and empirical research.

The second indication of the highly significant contribution made by group training is the manner in which group training companies have been found by this study and other research to be meeting their foundation objective of redressing the impediments to private investment in vocational education. Three facts support this finding. The rate of growth of apprenticeship employment in group training over the last seven years is five times greater than the growth of apprentices in training among non-group training employers. The overall training rate for apprentices has declined markedly over the last decade, indicative of rising impediments to private investment in apprenticeship training. The second fact is that the only broad trade occupational group experiencing a buoyant labour market, is that of the food trades, yet it is the only area in which group training has a lower rate of growth of employment than for non-group training employers. Group training has half the rate of growth of food trade apprentices as non-group training employers. Finally, group training has less than half the rate of employment growth of trainees compared with non-group training company employers. The dramatic and sustained increase in trainee numbers over the past seven years is *prima facie* evidence that there are few impediments to private sector investment in this form of vocational training.

Accordingly, demands that group training should more closely mirror the occupational structure of New Apprenticeships in the broader economy should be treated with caution. Overall, the evidence from this study supports the claim that group training companies complement rather than substitute for non-group training company investment in apprentice training.

On the other hand, it should be remembered that the main motivation for employers to host apprentices and trainees from group training companies, according to the results of our survey, has been the savings in time and resources associated with the employment of these people. The main reasons cited for using group training were the opportunities it provided to avoid the costs and administrative complexity incurred in employing apprentices and trainees. This is surprising since it was expected, given the predominance of small employers, that the reason for using group training was attributable to difficulties in providing training opportunities. While this finding obviously needs to be tested further, one possible interpretation is that group training is being used by employers to reduce the various costs associated with the employment of apprentices and trainees, costs which have been increased substantially by the well-documented administrative complexity of the training system. Perhaps, then it could be argued that, to the extent that government assists group training and thus indirectly subsidises the training costs of employers, it is only compensating them for the expenses arising from the complex administrative system it established.

Further evidence of the vital role group training plays in the ongoing skill creation process in Australia is provided by the very high levels of satisfaction that host employers expressed concerning group training services. These high levels of satisfaction applied to varying aspects of group training and went across all host employers, regardless of their size, industry or location.

Another finding which has potential repercussions for policy-makers is the increased commercialisation of group training. Over the last decade there has been an expansion of for-profit group training companies, driven largely by the expanding commercial opportunities as a result of the sustained growth of traineeships and the privatisation of labour market and training programs. For sound commercial reasons these group training companies are focused on traineeships in which there is high growth and high turnover and have less of a traditional 'pastoral care' orientation and are less focused on disadvantaged groups. The survey results indicate that these newer group training companies are less likely to offer rotation of apprentices and trainees and support services. They are also much less likely to receive government grants for the operation of their core group training company function. According to ANTA, in order to be competitive, these newer group training companies have, in the servicing of host employers, shifted more towards price and away from the provision of a broader range of services. This shift in the competitive base could make it difficult for older group training companies to provide the range of support services, which are not only traditionally expected of group training companies receiving joint policy funding, but are now formally defined in the national standards for group training organisations. These standards do not apply to group training companies that do not seek joint policy funding.

A monitoring regime is required to determine the effect of national standards for group training organisations in terms of the range and quality of services offered. This monitoring regime should also examine the effects of group training companies which operate outside these national standards on those group training companies who comply with these standards. Tied to this are considerations of equity, given the likelihood that it will suffer at group training becomes more commercialised.

There is, in addition it seems, considerable scope for further expansion of group training in certain states, such as New South Wales, given the considerable variation in the share of each state's apprentices and trainees employed in group training. This has increased importance in the light of the finding that group training companies complement and ultimately, very probably increase the number of apprentices and trainees. Further research should be devoted to this topic.

Finally, the survey found that group training companies nominate as one of the key reasons for apprentice or trainee non-completion, 'the apprentice or trainee deciding they were unsuited to the

job'. This suggests there is some scope for improved recruitment procedures. Perhaps group training companies could establish procedures whereby apprentices and trainees are alerted to the types of work, the wages and employment conditions of their New Apprenticeship. An expansion of pre-vocational courses conducted in-house or elsewhere, to act as a feeder mechanism for employment in group training companies could be warranted as a means of exposing prospective apprentices and trainees to the type and conditions of work they can expect.

The large number of apprentices and trainees transferring their contract of employment to host employers and to other employers warrants further research. In particular, it is important to determine if there is a significant difference between group training and non-group training apprentices and trainees in their rate of transfer to other employers. Host employers reported that, when they wished to employ an apprentice or trainee directly, the persons they had hosted from group training were an important source of such labour. A high rate of transfer of apprentices and trainees to host and other employers while the apprentices and trainees are still in training could adversely affect the completion rate of group training companies as conventionally measured.

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