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The structure and function of group training companies in Australia

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NCVER

THE STRUCTURE AND FUNCTION OF GROUP TRAINING COMPANIES IN AUSTRALIA

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Executive Summary

In 2001, as part of larger investigation of Group Training by the Australian National Training Authority (ANTA), the National Centre For Vocational Education Research commissioned the Employment Studies Centre at Newcastle University to undertake a wide ranging examination of the structure and function of Group Training Companies (GTCs) in Australia. The first part of the study was a review of post-1995 literature and research into Group Training while the second, and major part, was a census of GTCs conducted by telephone. 131 GTCs completed the interviews, giving a very high response rate of 78%. Moreover, the response rate for individual questions within the survey instrument was also very high. This gives the data set a high degree of statistical validity and reliability. The interviews were conducted with the CEO or General Manager and, as well as investigating the structure and function of their organisations, their New Apprentices and the host employers who use their services, there were questions concerning key issues to emerge from the literature. These included rotation of New Apprentices, the undertaking of activities in addition to core Group Training services, completion rates, legal structure and the range of services provided by Group Training Companies to their New Apprentices.

Group training is a uniquely Australian invention, designed to overcome a variety of impediments to employer investment in vocational training through 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. The first GTCs were established in the early 1970s and have grown from employing just a few percent of total apprentices and trainees in the early 1980s to around 14 percent of all New Apprentices. In some industries, notably construction, where impediments to direct employment of New Apprentices by private employers are especially severe, GTCs account for around 30 percent of total New Apprentice employment.

The study found that most of the GTCs are small to medium size enterprises with an average staffing level of 40 although there is wide variation around this and not all staff are involved with group training as such (see below). The average number of New Apprentices employed by GTCs as at June 2001 was 250 although, again, the range was considerable with one GTC having just over 1000 New Apprentices. The average staff-student ratio was approximately one GTC employee involved in the provision of core services for every 24 New Apprentices.

The study found that there are a number of significant differences between the type of New Apprentices employed by GTCs and the total population of New Apprentices across Australia. For example, there is a much higher proportion of traditional trade apprentices in GTCs and a lower share of female New Apprentices. These occupational, industry and gender differences both reflect an historical legacy, as GT was originally established to service trade apprentices and result from differences in the level of market economics of training across different industries.

Group training emerges from the survey as highly responsive and adaptive to its operating environment. This is indicated for example, by the fact that all GTCs undertake a range of additional commercial activities related to their core GT function such as, operating Registered Training Organisations and New Apprenticeship Centres or acting as a Job Network Provider and a general labour hire provider. It is only in the relatively recent past that many of these commercial activities have become available to GTCs.

The responsive and adaptive nature of GT is also indicated by the great variety in the size of GTCs, the range of New Apprentices employed and by the diversity of host employers and industries serviced. Some GTCs have over 1000 New Apprentices on their books at any one time, while other GTCs, who are just commencing their service, have only a few New Apprentices. Some GTCs operate from multiple sites across several state borders and service over 1000 host employers, while others operate in a single small regional centre servicing just a few host employers. Some GTCs employ New Apprentices across a very broad range of occupations, including both apprentices and trainees, and service a very wide range of industries. Others are more specialised, employing only a few different types of occupation, and may concentrate on servicing only one or two different industries. This great variety in the size and scope of GTCs, as documented in the survey results, suggests that policy makers should be mindful of these differences and may need to adjust program and financial policies to the variety of these circumstances.

The age profile of GTCs and data on the growth of new organisations suggests that there are few 'barriers to entry' in the provision of group training services. It was also found that there are marked differences across the age structure of GTCs with respect to some of the key features of these organisations. Older GTCs were significantly larger than younger organisations in terms of their employment size, they operated a different range of 'non-core' activities and were far more likely to receive Joint Policy Funds (JPF) from the government. This means, on the other hand, that the younger GTCs were more likely to be operating activities additional to group training and less likely to be in receipt of JPF. Further research into this phenomenon is obviously required but it seems causal factors may include changes to levels of per-capita government funding and the deregulation of the training market that, in turn, provided greater opportunities for GTCs to diversify their operations into the types of activities mentioned earlier.

This study also provides much needed detailed information on the range of support services offered by GTCs to their New Apprentices. The survey results indicated that not only do GTCs provide a comprehensive range of such services but that this range of services is provided by almost all organisations . For example, the large majority of GTCs operate a policy of rotation for the purpose of exposing New Apprentices to a broad range of work experience, have practices to manage New Apprentice 'downtime' over the short–run and long-run, use comprehensive screening methods for the recruitment of suitable New Apprentices, provide assistance with New Apprentices having learning difficulties and have practices to manage disputes between New Apprentices and host employers. It is, of course, difficult on the basis of these survey results to delve into the actual implementation of these policies and practices, but it seems likely they contribute to the comparatively high completion rate for GT New Apprentices.

Chapter 1: Introduction

Purpose of the Study

The purpose of this study is to examine the structure and function of Group Training Companies (GTCs) in Australia. Up to this point in time there has been a significant knowledge gap regarding even some of the most basic structural features of GTCs and the type and distribution of their activities. The key elements in the study are a comprehensive national telephone survey of GTCs and an extensive review of the literature on Group Training in Australia. It is intended that the results of the research will be of material use both to policy-makers by providing them with a sound knowledge base about the system they administer, and to the GTCs by allowing them to compare their own structure and activities against that of their peers.

The principal fields of inquiry in the study include:

- the structure of GTCs, such as their corporate ownership and the range of employment size, including staff and new apprentices across GTCs;

- the functions or range of services provided to industry and industry sectors serviced by GTCs;

- issues associated with the host employers serviced by GTCs, such as the number and size of host employers,

- GTC management of New Apprentices, such as the sources of training used by GTCs; extent of rotation; recruitment sources and screening strategies used by GTCs; management of learning difficulties; relations between New Apprentices and host employers; and policies to maintain the contracts of training between the GTC and the New Apprentice such as the management of 'downtime' experienced by New Apprentices, and completions and non-completions of contracts of training.

Structure of the Report

This Chapter describes the survey methodology and provides an overview of the research results. Chapter 2 provides a comprehensive analysis of the previous research on GT and highlights the gaps in the knowledge base which this study is intended to fill. The results of the telephone survey are presented in detail on a thematic basis in Chapter 3. The survey results are supplemented with data from other empirical studies of GTCs and qualitative information from participants in the GT system. The Conclusion, Chapter 4 summarises the key policy implications of the research for the governance of GT in Australia, which are identified throughout the report. The survey data, additional statistical analysis of the data and the survey instrument are presented in the Appendix.

Survey Methodology

A list of 202 GTCs, which is believed to comprise the population of GTCs in Australia, was constructed from listings supplied by NCVER and ANTA. In cases where GTCs operate from multiple sites, only the site where the CEO or General Manager was located was surveyed, as they would be in the best position to answer detailed questions relating to the structure and function of their organisation. Of the 202 GTCs contacted;

- 7 were excluded, as they were not able to be successfully contacted;

- 18 GTCs were excluded due to double sampling, (ie, the same respondent was contacted by ringing two separate numbers); and

- 6 were excluded as the company contacted no longer operated as a GTC.

This resulted in a sample frame of 171 GTCs. A total of 131 GTCs participated, yielding a 76.6% response rate for the survey. This is a high response rate for surveys of this type. In addition, the response rate for individual items within the questionnaire was very high: the lowest response rate received by any one question was 87 percent.

The survey instrument was faxed to respondents with the data gathered through telephone interview some days later. A telephone interview using a faxed instrument was used for two main reasons. Firstly, it permitted a higher response rate than other methods, such as mail surveys. Secondly, it minimised recall bias and yielded better quality information, as the respondent was requested to research the information prior to the telephone interview.

Background to Group Training in Australia

Group Training (GT) is a uniquely Australian invention, designed to maintain employer investment in vocational training in the face of mounting impediments to the direct employment of apprentices and trainees. 'Group Training refers to an arrangement by which apprentices or trainees are employed by one company (termed a 'group training scheme') but continually placed with other enterprises (termed 'host employers') for the purposes of their on the job training. In this way, individual host employers secure the labour of the apprentices or trainees without having to enter into a contract of training' (ANTA 1997: 2). Under GT an apprentice or trainee has both a contract of employment and training with a GTC.

Impediments to the direct employment of apprentices and trainees by employers include: shortening of contract cycles between principals and their sub-contractors resulting in an inability of employers to commit to extended contracts of training; increased firm specialisation (precluding a firm providing sufficiently broad training for traditional apprenticeships); reduction in firm size (smaller firms have a lower propensity to invest in training than larger firms); an increasingly competitive business environment; contracting out of non-core functions and consequent growth of labour hire (many labour hire firms undertake minimal training) and privatisation and corporatisation of public enterprises (ANTA 1997:12; Toner 1998; 2000a,b,c).

Also important is the introduction of New Apprenticeships in 1998, which saw apprenticeships and traineeships combined into the one administrative system and a very large increase in the number of New Apprentices from that point onwards. Complexity in the administration of the training system from an employer's perspective has also been identified as an impediment to direct employment (AIG/DETYA 2001:20; NSW BVET 2001).

The first Group Training Companies (GTCs) were established in the early 1970s and were restricted to a few industries, such as construction, motor vehicle repair and metals and engineering. They were also restricted to the support of traditional trade apprenticeships. Over the last three decades they have grown from employing just a few percent of total apprentices in the early 1980s to around 14 percent of all New Apprentices by 2001. In some industries, notably construction, where impediments to direct employment of New Apprentices by private employers are especially severe, GTCs account for around 30 percent of total New Apprentice employment. Largely under the auspices of the New Apprentice regime, Group Training has also greatly expanded its scope, from the provision of employment and training for traditional trade apprenticeships to cover traineeships.

Government has recognised the importance of GT in the Australian vocational education and training (VET) skill formation system and has provided a range of financial support over the last two decades. At present financial support is provided through payments based on outcomes such as commencements, progression and completions. In addition, around 60 percent of GTCs receive support through Joint Policy Funds (JPF). This is only available to not-for profit GTCs, and is based on the achievement of certain targets with respect to commencements, completions and employment of New Apprentices in nominated equity groups. In 2001 a review of funding arrangements for GT was established by the Australian National Training Authority (ANTA), with the report to be tabled in 2002. Earlier research, such as that by KPMG (1997) found that over the 1990s GTCs became less reliant on direct government support and widened the range of fee for service activities they undertook. This was in part due to a fall in per capita government funding for GTCs and also to an expansion in the range of government services opened to competitive tender. In particular, there was opening up of employment and placement services formerly provided by the Commonwealth Employment Service and of access to funds for vocational training that formerly went solely to TAFE. As will be indicated below, the survey results find that GT has been very responsive to these opportunities to expand their functions and broaden their funding base.

New Apprentices in Group Training

Based on data from the telephone interviews and other research into GT there are a number of significant differences between the type of New Apprentices employed by GTCs and the total population of New Apprentices across Australia (NCVER 2001b). For example:

- 61% of GTC New Apprentices are traditional ("trade") apprentices compared to 50% in the total population of New Apprentices,

- some trades, such as construction apprentices are significantly over-represented in GTCs. Construction apprentices comprise 21% of all GTC New Apprentices. This is nearly double that of the construction trades' share of total New Apprentices at 11%, and

- 23% of GTC New Apprentices were female, in contrast to 32% of total New Apprentices. This gender difference is largely due to the higher proportion of trades among GTC apprentices, and especially the preponderance of trades, such as construction, metals, electrical and automotive, in which males predominate. It also reflects the comparatively low penetration of GTCs into those trade occupations, especially hairdressing, which are dominated by females.

These occupational, industry and gender differences reflect both an historical legacy, as GT was originally established to service trade apprentices, and differences in the economics of training across different industries. The structure and performance of some industries results in a comparatively lower need for, and use of, GT services, whereas other industries are increasingly reliant on GT. In other words, some industries, such as construction, are increasingly subject to those impediments to the direct employment of apprentices identified above. The argument that some industries are subject to higher impediments to the direct employment of New Apprentices also receives confirmation from the fact GTCs report that certain types of apprentices, notably, construction related apprentices, experience much longer periods of 'downtime' (not being placed with a host employer) than other types of New Apprentice.

Two key policy implications flow from this analysis. First, demands that the occupational, industry and other characteristics of GT New Apprentices match that of the total population of New Apprentices in Australia, must be critically evaluated. Those claiming that gaps between the proportions of New Apprentices in GT and those in the general population of New Apprentices indicate some kind of failure on the part of GT, should have regard to the differences in the economics of training across different industries and occupations, and the consequent differences in the level of demand for GT services. Secondly, the survey results may assuage, to some extent, concerns that the growth of GT's share of total New Apprentices is the outcome of the substitution of New Apprentices directly employed by an enterprise for those employed by GTCs (ANTA 1997:13). The marked differences in GT share of different types of New Apprenticeship, are not consistent with the view that substitution, if it is occurring, is a general phenomenon. It is reasonable to assume that the financial incentives applying to businesses from the substitution of direct employment of New Apprentices for those from GTCs apply to all industries and all types of New Apprentices. The fact that such 'substitution' is not a general phenomenon lends support to the view that other factors, such as such the structural factors identified above, may be more influential in explaining the increase in GT share of total new Apprentices.

On the other hand, the composition of traineeships in GTCs tends to more closely match that of the total population of trainees. The most common type of trainee employed by GTCs are clerical/administration (76% of GTCs), retail (35%), Cooking/Hospitality (23%); Horticulture (16%) and Information technology (14%), Metals/Engineering (13%) and Automotive (10%). This diversity reflects the recent

rapid growth of traineeships outside of traditional 'white collar' occupations (NCVER 2001a).

Key Findings of the Study

After an extensive review of the literature it was concluded that there has been relatively little research into group training, and of this, only a few reports were of any depth. The research has been largely issue-based, such as studies of the funding regime for GT, or establishing criteria for assessing the 'quality' of GTC operations, with very little systematic inquiry and analysis of group training as organisations (KPMG 1997; Dench McClean 1998; ACIRRT 1997, 1998). There have been a number of surveys of GTCs, though these have either been related to financial issues; covered only a few industries serviced by GTCs (Misko 1997), or canvassed only members of Group Training Australia, the industry association for GTCs which represents just over half of all GTCs. A major advance in the knowledge base was made with the publication of the NCVER (2001) report *Group Training Apprenticeships and Traineeships*, which provided a detailed account of key features of GT derived from New Apprenticeship administrative data. This report complements the present study and is drawn on extensively throughout. Nevertheless, it is still the case that prior to the present study there were significant gaps in the literature, especially with respect to a systematic overview of the structure and function of GTCs in Australia.

Summary of Survey Results

Structure of GTCs

As at June 30, 2001 it was estimated that there were approximately 171 GTCs operating in Australia. The 131 GTCs participating in the telephone survey directly employed 1,448 full-time and 149 part-time staff in core GT service provision. (Core GT services were defined as the employment and hiring out of new Apprentices). Full-time employment in all services provided by GTCs, including core services, was 5141, with another 1102 employed part-time. It is interesting to note that full-time employment in the provision of core GT services comprises only 28 percent of total GTC full-time employment.

Most of the GTCs are small to medium size enterprises. The average number of full-time staff engaged in the provision of all services was 40, with one GTC having 826 full-time staff. 18% or close to one in five GTCs have 5 or fewer full-time staff. 59% of GTCs have 20 or fewer full-time staff employed in the provision of all GT services, and that 87% of all GTCs have 50 or fewer full-time employees.

The average number of New Apprentices employed by GTCs as at June 2001 was 250, with one GTC having just over 1000 New Apprentices. The average staff-student ratio was approximately one GTC employee involved in the provision of core services for every 24 New Apprentices.

In terms of the most common forms of legal incorporation for GTCs, 37% are a private company, 32% were an association and 30% had other forms of incorporation.

Most GTCs were found to be stand-alone entities, with only 20% owned by another organisation. Of these organisations, 38% were owned by employer associations.

66% of GTCs were in receipt of Joint Policy Funds (JPF). This statistic raises a number of issues. One in three GTCs is not in receipt of the funding specially tailored to support them and to assist the development of group training. On the one hand, this could be seen as something highly commendable in that those not in receipt of JPF are more self sufficient, thus satisfying one of the objectives promoted by government since the early nineties. As noted earlier, there has been a large expansion into other forms of government assistance enabling many GTCs to sustain themselves without receiving JPF, and thus enjoy a greater degree of independence from government supervision. On the other hand, given the extent to which such funding guidelines further the development of quality processes and outcomes, it is of interest that one-third of GTCs are not subject to these requirements. However, as discussed in the literature review, there was a sentiment 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 JPF.

Finally, only 3% of GTCs still operating were established between 1969 and 1981. A further 52% were established between 1981 and 1990 inclusive, with the remaining 45% GTCs established between 1991 and 2001. There was a very uneven pattern to the growth in the number of GTCs. Over the whole 30 year period there was an average of 7 GTCs established each year. However, during the first eleven years to 1981 only 4 GTCs still operating were established. This is an average of around one every two years. From 1980 the rate of GTC creation increases markedly to around 6 per year. This difference is due, almost certainly, to the start of government financial support for GTCs from the early 1980s.

The age profile of GTCs is significantly different from that of all other businesses operating in Australia. Around 35% of all businesses are ten or more years old (Industry Commission 1995: Table 3.20). 55% of all GTCs are ten or more years old. This implies that GTCs are quite successful in maintaining operation once established. 73% or close to three-quarters of all GTCs are more than five years old. This implies that the great majority of GTCs have considerable experience of their operating environment. This implication would appear to be supported by other evidence (discussed below), which finds that GTCs display a high level of adaptability and responsiveness to changing government policy and financial opportunities. It would also appear to be confirmed by the fact that older GTCs are larger, in terms of their employment of New Apprentices. It is also evident from the age structure and the continual creation of new GTCs that there appear to be few 'barriers to entry' of new GTCs. Relatively low barriers to entry are a feature of a competitive market. (This may not apply in isolated regions where the 'thin market' precludes more than one operator).

Another issue of considerable interest is the extent to which those GTCs established in the 1990s and beyond differed from those established in earlier decades. In researching these differences, it was found that those 71 organisations established prior to 1990, which constituted 55% of those responding, tended to be larger and were more likely to be in receipt of Joint Policy Funding (JPF). In respect of size,

which was measured in terms of New Apprentices employed, it was found that the older organisations had, on average, 360 New Apprentices compared to the average for the younger GTCs (established post 1991) of 130. Concerning JPF, it was found that of the older GTCs, 65 or 92% received such funding while only 20 or 43% of the younger organisations were in receipt of JPF.

Several other statistically significant differences between those GTCs established since 1990 and those established earlier should be noted. Not only are the older organisations likely to be larger and to be in receipt of JPF, they are more likely to be operating a policy of rotation of New Apprentices to enrich their training experience. They are also more likely to provide their New Apprentices 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 in terms of the greater economies of scale they enjoy and by the wider range of additional support services they provide.

Functions of GTCs

Traditionally the core functions of GTCs have included:

- marketing of the GT concept and New Apprenticeships;

- recruitment of host employers;

- recruitment and selection of New Apprentices;

- hiring out of New Apprentices to appropriate host employers;

- monitoring work placements and providing 'pastoral care' to New Apprentices;

- ensuring integration of on and off the job training and monitoring the training needs of New Apprentices by rotation of New Apprentices through appropriate host employers; and

- assisting entry into the labour market for New Apprentices completing their training (KPMG 1997).

These core functions are well known and are dealt with in more detail in a later section of this chapter, *GTC Management of New Apprentices*.

Over the last decade the 'non-core' activities of GTCs have increased in importance, so that they now account for 72% of GTCs staff employment. This section focuses on these non-core activities. To date very little data has been gathered on these activities. The growth of non-core functions, is due to three factors. First, demands by government for GTCs to become less reliant on direct public financial aid for GT. Second, the widening of commercial opportunities in the provision of services formerly provided directly by government, such as employment and training services and the conduct of labour market programmes. Finally, broader changes in the economy, such as corporate down-sizing and growth of contracting-out, have created opportunities for GTCs to participate in the supply of contract labour and labour hire.

All GTCs operate commercial activities in addition to core GT services with 64% operating a Registered Training Organisation (RTO), 26% general labour hire, 18% New Apprenticeship Centres (NACs) and 17% Job Network Provider (JNP). In addition, 45% reported that they operate 'other' activities which include, aboriginal employment programs, mature workers' programs and work for the dole. It is arguable that all of these additional business activities are complementary to the core GT service, in that they build on GT expertise in training, employment and labour market matters.

Other researchers, such as Schofield (2000) have raised the possibility that organisations employing New Apprentices, and who operate activities such as RTOs and NACs, may face a conflict of interest. This conflict arises for example, from the possibility that such organisations may, for commercial reasons, undertake the training of their employees within their own RTO when higher quality or more appropriate training may be available to their employees at an unrelated RTO. On the basis of the survey results, such concerns do not appear to be confirmed. 61% of GTCs indicated some of their New Apprentices had received training from an RTO linked to the GTC over 2000-2001. On the other hand, 70% of GTCs indicated their New Apprentices had received training from an RTO unrelated to their own GTC. In addition, 92% of GTCs indicated some of their New Apprentices had received off-the-job training from a public training provider over 2000-2001. In summary, the results of this section indicate that GTCs make use of a very broad range of public, private and internal training providers. The data however, does not indicate the relative significance of these three providers in terms of the distribution of training effort across the providers. For this, additional data would be required in terms of measures such as training hours, expenditure on training or numbers of New Apprentices trained for the three providers of off-the-job training.

Features of Host Employers

During 2000-2001 the total number of host employers serviced by GTCs was 26,587. The average number of employers hosting New Apprentices was 207, though there was considerable variation with one GTC stating it serviced 1,600 host employers. 49% of GTCs serviced between 101-500 host employers over 2000-2001 with another 19% servicing between 51-100 host employers. Data from a 1996 survey of host employers indicated that around 70% of host employers only engaged one New Apprentice from a GTC (NCVER 2001b:14).

The majority of host employers operate small to medium sized enterprises, employing between 1-20 staff, although the results of the survey on this matter are subject to a degree of uncertainty given that a high proportion of GTCs (93%) reported that they did not know the employment levels of up to a quarter of their host employers. However, these results concerning the firm size of host employers are consistent with other research (e.g. NCVER 2001b:14).

GTCs service host employers across all of the 17 broad industry groups in the economy. (Based on the Australian and New Zealand Standard Industrial Classification). However, there is large variance in the proportion of GTCs servicing these different industries. 58% of all GTCs stated they serviced host employers in the construction industry. The industry serviced by the lowest proportion of GTCs was

Wholesale Trade (18% of GTCs). After construction, 48% of GTCs stated they serviced host employers in Retail and 45% serviced Manufacturing. This variance reflects the differential demand from host employers for the services of GTCs, which in turn, has been argued to be largely due to the fact that some industries face higher barriers than other industries to the direct employment of New Apprentices.

Overall, the study found that GTCs' knowledge of the key features of their host employers, for example, the employment-size of their host employers is somewhat variable. Accordingly, given the crucial role of host employers in the GT system, an additional study of host employers is currently underway. A central element of the study is a large-scale telephone survey of host employers to gather qualitative and quantitative data designed to be of value of to policy makers and GTCs.

GTC Management of New Apprentices

Earlier, it was noted there are several core functions, which GTCs are traditionally held to perform, in addition to the employment and hiring out of New Apprentices. These functions, which involve the provision of support services for the New Apprentices, are of key interest of policy makers but there has been a dearth of information about them. Thus it was a key objective of the study to gather both quantitative and qualitative information on the range of support services offered by GTCs to their New Apprentices. The survey results indicate that not only is this range of services broad but it is offered by almost all GTCs. These are important results, as it is the first time such a comprehensive and reliable database has been collected on this topic.

Some of the key findings in terms of support services are that:

- Just under two-thirds (64%) of GTCs have a policy of rotation of New Apprentices across different employers for the purpose of exposing them to a broad range of skills and work environments. (It will be recalled that GTCs in receipt of JPF were more likely to have a policy of rotation than those not in receipt of JPF. Rotation of New Apprentices is a JPF performance measure). The survey result is likely to be an underestimate as rotation was found to be used for other purposes such as moving New Apprentices onto different host employers if there are tensions with the host employer or unresolved OH&S problems. It is also important to note that rotation of apprentices is not an end in itself, and should only be applied when an employer cannot supply the range of work experience necessary for the development of a competent New Apprentice. Anecdotal advice from GTCs to the researchers also indicated practical problems with the universal application of a rotation policy. Once employers are satisfied with the performance of a GTC New Apprentice at their workplace, they are frequently very reluctant to let the New Apprentice be transferred to a different employer. Insistence by a GTC on enforcing a rotation policy can lead to host employers withdrawing from using a GTC's services. This reluctance is obviously more of a problem for GTCs operating in isolated regions, where there may be few alternative employers for the New Apprentice. Policy makers must be mindful that whilst a practice of rotation for the purpose of exposing New Apprentices to a broad range of skills and work environments is desirable, there

are a number of practical difficulties which impede the application of this policy in all circumstances.

- It was estimated that over 75% of GTCs had New Apprentices who experienced 'downtime', that is, could not be placed with a host employer. Strategies used by GTCs to deal with New Apprentices who cannot be placed with host employers include, provision of additional training, use of paid leave, offer the New Apprentice to employers at reduced cost; employment through a business activity of the GTC; undertaking maintenance or other activity around the GTC, or standing the New apprentice down without pay. If the downtime extended to several weeks suspension of the contract of training can be used, presumably with a view to its reactivation once business conditions improve.

- GTCs identified construction related New Apprentices as the most likely to experience downtime. Interestingly, the second greatest problem area was Hospitality and Cooking. It could also reflect the short life span of many restaurant and catering small businesses. Misko (1997) found that in the food industry there was competition between apprentices and young overseas tourists with relevant work experience.

- Individual GTCs use multiple sources for the recruitment of New Apprentices. The main sources in descending order of importance include, pre-vocational courses; direct application to the GTC; out of trade New Apprentices and from schools. It is often argued that employment of out-of-trade New Apprentices should be a core activity of GT. This expectation would appear to be realised as the survey found that employment of out-of-trade New Apprentices was the third most important recruitment source used by GTCs. Individual GTCs also employ multiple screening procedures for prospective New Apprentices. The three most frequently reported screening procedures were: the personal interview used by 98% of GTCs, use of school results to screen applicants (86% of GTCs) and giving applicants a literacy/numeracy test, (71% of GTCs). Screening procedures such as administering a practical test to applicants, examining an applicant's example of practical work and talking to an applicant's parents were used by 45%, 35% and 33% of GTCs respectively. The least frequently reported screening procedure was administering a psychological test to applicants, reported by 15% of GTCs. Other studies of host employers have found that screening of prospective employees of host employers by GTCs is a major factor in the use of GTC New Apprentices by host employers (NSW BVET 2001).

- Close to three quarters (72%) of GTCs reported giving New Apprentices assistance to overcome learning difficulties, particularly numeracy and literacy. Around 2% of GTC New Apprentices received such assistance in 2000-2001. This would seem to be a low figure and probably reflects the selective nature of GTC recruitment practices. A study by DEETYA (1998) looked at the issue of whether employers were able to recruit sufficient apprentices of adequate quality. GTCs reported they received three suitable applicants for each vacancy. Other employers reported an average of seven suitable applicants for each vacancy It is possible the lower rate of suitable applicants reported by GTCs reflects more stringent selection criteria employed by GTCs.

- 94% of all GTCs reported some difficulties between their New Apprentices and host employers. These difficulties related to poor work performance, poor attendance and poor personal relations between host employers and New Apprentices. Inadequate supervision/instruction on the part of the host employer was also reported by over one third of GTCs. All GTCs reporting difficulties between their New Apprentices and host employers indicated they had a range of strategies in place to deal with these difficulties including counselling, mediation and rotation of New Apprentices.

- Over one-third (38%) of GTCs during 2000-2001 experienced problems with host employer compliance with OH&S, and all GTCs reporting such problems have strategies in place including OH&S training for host employers, informing host employers of their legal responsibilities and conducting site audits.

- Almost all GTCs provide career guidance to their New Apprentices. This guidance occurs before commencement of the New Apprenticeship and during and after completion of the course of study.

- 99% of GTCs promote New Apprenticeships in their community using methods such as advertising, presentations to schools and clubs, and canvassing employers.

- Other research indicates that completion rates for New Apprentices in group training are slightly better than for New Apprentices generally (NCVER, 2001b). The main reasons cited by GTCs for their New Apprentices failing to complete their contract of training include, 'New Apprentices deciding they were unsuited to the industry or the job' (69%); 'New Apprentices finding employment elsewhere' (52%) and 'New Apprentices moving out of the region' (48%). Also figuring prominently as important reasons were 'New Apprentices transferring their contract of training to a host employer' (37%) or 'transferring their contract of training to a non-host employer' (23%).

These results are consistent with anecdotal advice that some host employers use the engagement of GTC New Apprentices as a recruitment mechanism. This is due to the apparently thorough multiple screening procedures used by GTCs for prospective New Apprentices. Further, the host employer can engage multiple GTC New Apprentices on a temporary basis to find persons who have the qualities they seek for permanent employment.

There are two key policy implications from these results. Firstly, if a significant proportion of GTC New Apprentice 'non-completers' transfer their contract of training to a host employer, it is questionable whether this should be counted for the purposes of official statistics as a 'non-completion' for the GTC. Possibly some additional category may be required to account for this group of GTC New Apprentices in the official statistics. More research is warranted on this topic, especially the extent to which the proportion of GTC 'non-completers' who transfer to other employers is higher for GTC New Apprentices than for other New Apprentices.

Secondly, the fact that GTCs nominated as one of the key reasons for New Apprentice non-completion 'the New Apprentice deciding they were unsuited to the job', suggests there is some scope for improved recruitment procedures. Perhaps

GTCs could better inform New Apprentices as to the type of work, the wages and employment conditions of their New Apprenticeship (DETYA 1999 and Cully and Curtain 2001). Further, an expansion of pre-vocational courses conducted in house or elsewhere, as a feeder mechanism for employment in GTCs, could be warranted as a means of exposing prospective New Apprentices to the type and conditions of work they can expect.

Chapter 2: A Review of the Literature 1995-2001

2.1 Background to Group Training in Australia

As stated in the review by Roger Mathers (Roger Mathers Consulting, 2000b: 3) there has been relatively little research into group training and certainly little of any depth. Moreover, that research conducted to date seems to be largely issue-based with very little by way of more general analysis of group training companies (GTCs) as organisations. The best overview, at least in the period with which we are concerned is the 1995 report of the House of Representatives Standing Committee, *A Best Kept Secret*[i]. More recent overviews are provided often as preambles to reports on specific issues concerning GTCs or submissions to inquiries (eg Misko, 1997; Harris et al, 1998; Group Training Australia, 2000; Roger Mathers Consulting, 2000a).

From these more general discussions and overviews the following characteristics of GTCs emerge:

- uniquely Australian, they were originally developed in the 1970s in the building and automotive repair industries to overcome the problems created by the growth in these industries of small enterprises and increasing skill shortages - the first formal organisation was the Master Builders' Association Group Training Scheme which was established in Canberra in 1979 (Misko, 1997);

- most organisations were founded by, and have direct links to, industrial organisations and/or community bodies and operate on a not-for-profit basis;

- government has recognised the importance of their role and provided financial support of various kinds since the early eighties (see below);

- the growth of group training was assisted by the financial support of the ACTU-Lend Lease Foundation;

- a national association for not-for-profit GTCs, Group Training Australia (GTA) has existed since 1991 - in 2000 there were over 120 member companies who represent approximately 80% of New Apprentices employed through Group Training arrangements (GTA, 2000);

- in 1999 there were 202 GTCs according to Mathers (2000) of which the majority (53%) are small having less than 100 New Apprentice commencements, 36% are medium (100-299 New Apprentices) and 11% are large (over 300 New Apprentices);

- 53% of GTCs are broad-based while 47% are industry specific with the broad-based companies predominating in rural and regional areas and the industry specific organisations more likely to be found in the metropolitan areas;

- as the employer of trainees and apprentices, GTCs are responsible for payment of wages and other employment related obligations with these then recouped from host employers through charge-out rates;

- since the early nineties, although government funding continued to increase, it began to fall on a per capita basis and most GTCs have sought to widen their income base by providing labour market programs and offering employment and training related services on a fee-for-service basis;

- pastoral care is seen as a very important responsibility;

- over 50% of host employers are small and micro businesses although increasingly in recent years relatively large organisations in both the public and private sectors are using group training;

- traineeships in the non-trades area have been a huge source of growth;

- the ability to rotate apprentices and trainees between a variety of host employers has been seen, traditionally, as a significant attribute in that it provides a wider range of experience and training and can assist in overcoming problems created by incompatibility between supervisors and apprentices and trainees;

- over 40,000 apprentices and trainees are employed by GTCs and this is 15% of the national total (GTA 2000);

- GTCs are increasingly able to provide the off-the-job training themselves.

In terms of assessing the contribution and role of GTCs, the literature has generally emphasised their increasing significance in Australian skill formation. For example, Alanna Weaver (Weaver, 1997) points out that the relevant Federal Coalition Government Minister, at that stage new to office, stated that "group training is seen as a major strategy towards increasing the number of apprentices and trainees under New Apprenticeships" (p. 2). The House of Representatives (1995) Report claimed that GTCs were very well positioned to play a critical role in the implementation of the new training regime that came out of the then Labor Government's *Working Nation* report and that they were going to be very important also in improving access to training for women and disadvantaged groups. Finally that report felt that "the great strength of group training companies is their diversity and independence giving them an ability to quickly respond to the special needs of their business clients, their industries and the regions they serve." (p. 61).

Research by KPMG (1997) reveals that GTCs see themselves all providing the following core services:

- marketing of the Group Training concept;

- recruitment of host employers;

- recruitment and employment of suitable apprentices and trainees;

- matching apprentices and trainees to host employers;

- monitoring placements including provision of 'pastoral care'; and

- ensuring integration of on and off the job training and more broadly monitoring the training needs of the apprentices and trainees through appropriate rotations (pp 8-9).

There were also additional services that were provided by many, but not all, organisations:

- community liaison and marketing of VET;

- assistance to schools in vocational placements and careers advice; and

- assisting entry to the labour force by apprentices and trainees at the end of their training.

Returning to Weaver, it is interesting to note that the performance outcomes she sets out as the basis for their funding by government (see below) actually comprise the main issues motivating much of the writing on GTCs. The principal performance outcomes, agreed upon after negotiation are stated as "80 per cent completion rates, recruitment of people from identified target groups and involvement in a quality improvement process" (p. 2) and it seems much of the reported research centres on:

- completion rates or non-completion and recruitment;

- equity issues; and

- best practice and quality performance.

The other significant topic of research is resourcing and funding. This review will examine the literature in respect of these issues and will then look at any research that is not covered therein. Before that. however, key government policy initiatives in respect of Group Training will be briefly reviewed in chronological order.

2.2 Key Policy Initiatives[ii]

1991: the bi-annual review by DEETYA resulted in a recommendation that government funding be reduced in an attempt to encourage GTCs to become self sufficient through the adoption of an increased range of activities.

1993: economic downturn saw the DEETYA recommendation shelved but it had been influential in leading GTCs to diversify their activities.

1994: Australian National Training Authority (ANTA) established and the responsibility for Group Training transferred to it from DEETYA.

1995: ANTA review of Group Training lead to:

a)   the management and administration of Group Training passing solely to state/territory governments including their disbursement of the funding that previously came through ANTA - the rationale was to confine these responsibilities to one level of government with the state and territory authorities to report to ANTA;

b)   Joint Policy funding guidelines were modified to include three yearly negotiated contracts based on agreed performance measures.

1995/96: implementation of *Working Nation* saw a push for growth in apprenticeships and additional funding was made available for Group Training with some being administered through ANTA (Joint Policy Arrangements) and some coming through DEETYA (Expansion Programme).

1996: the newly elected Coalition Government reviewed Group Training as part of the policy to increase apprenticeships and traineeships - National Principles for Group Training were agreed to by government Ministers as part of a policy to stimulate growth in Group Training.

1998: a national funding model was implemented with payments based on outcomes such as commencements, progressions and completions.

2001: a thorough review of Group Training is being undertaken by ANTA with a revised national funding model anticipated as one of the outcomes.

2.3 Recruitment and Completion

Most of the relevant research in this regard centres on training in general and only tends to mention GTCs incidentally. For example, a 1997 study by DEETYA (DEETYA, 1998) looked at the issue of whether employers were able to recruit sufficient apprentices of adequate quality. Its findings in respect of GTCs 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. The report expressed concern, however, that this may not be the case for all geographic areas and for all occupational groups. GTCs reported that the quality of apprentices they recruited was high with very few rejections by employers despite employers' expectations rising in recent years.

The House of Representatives (1995) report claimed that the thoroughness of selection procedures was an important characteristic of GTCs. Not only are formal tests given and interviews conducted, but there is a very careful examination of their school record and general background. The DEETYA report, however, felt that because GTCs had a lower ratio of suitable applicants than employers there was scope for more effective marketing of services on their part.

Interestingly, the Mathers review (Roger Mathers Consulting, 2000a) found that this DEETYA study was the only one that examined the issue of applicant quality in any detail. Also, when that Mathers study 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 to GTCs was speculation that their trainees may be more likely to contemplate withdrawal because changing employers could provide them with more difficulties but it was stated that there were inadequate numbers to allow any firm conclusions to be reached. However 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 respect of apprentices (not New Apprentices), there was an increased risk of attrition among those employed by

GTCs compared to those employed elsewhere, other things being equal. No explanations were provided and it was felt further investigation was required.

An issue often associated with completions is that of downtime, or the lack of access to workplace training for apprentices and trainees. The one substantial study into this in recent years seems to be Misko (1997) although the situation in GTCs is only part of that study which covers the whole labour market.

Concentrating on the building, engineering, electrical/electronic, automotive and food industries, the researcher gathered both quantitative and qualitative data from a wide range of sources including from 43 GTCs in South Australia, Queensland and Victoria. It found that, at the time of the study, just over half the GTCs involved had some apprentices and trainees not in work placements, with the largest company that employed 540 apprentices and 60 trainees, having 70 apprentices not in work placements. The vast majority of those were in the building trades which seemed to be the area which caused the most problems in respect 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 and to a less extent in respect of cooks, according to Misko, 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 and, in the food industry, young tourists with relevant experience happy to work for lower wages.

In the past, it seems funds were made available to GTCs to provide 'live work' for apprentices and trainees when host employers are not available but Misko reported that this had largely disappeared. As a result there had to be greater reliance on strategies such as:

- discounting or fully subsidising charge-out rates;

- allowing apprentices or trainees to take the day off;

- engaging the apprentice or trainee in maintenance-type activities in or around group training buildings; and

- requiring apprentices to use annual leave or rostered days off.

If there was no alternative, remaining companies would have to opt for suspension until more work became available.

2.4 Access and Equity

The DEETYA (1998) study found a strong consensus in the literature about the opportunities that equity groups provided for the growth of GTCs, especially in the light of the government's concerns that 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 GTCs taking on applicants for whom no work placements could be found. 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 GTCs 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: 16). However very little research explored solutions to this problem beyond advocating additional funding.

2.5 Resourcing, Quality and Best Practice

In its report on a Group Training Funding Model, KPMG (1997) refer to the significance of the 1991 decision by the Federal Government to move towards self-sufficiency for Group Training providers (p. 10).

This decision, although rescinded, was seen as having an irreversible impact on the activities of providers in that they diversified their services and began offering various forms of assistance to business on a commercial basis. These included:

- 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; and

- traditional labour hire services.

Obviously a number of government reforms of the labour market have created opportunities to secure some of these alternative sources of income. First there was the opening up of the training market which removed the monopoly status of the TAFE organisations and second, there was downgrading of the former CES to the position where it was but one of a large number of employment placement agencies.

Despite the growth in these supplementary activities and the continuation of government funding, GTA concluded that GTCs have had to increase charge-out rates to employers to meet increasing costs, in particular the costs of workers' compensation premiums (GTA 2000).

At present, not-for-profit GTCs are eligible for government funding through Joint Policy whereby financial support from the Commonwealth, through ANTA, is matched by the states. This funding is based on the achievement of negotiated numbers of commencements and completions with added bonuses for New Apprentices 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 GTCs are eligible for Commonwealth incentive payments for the commencements, progression, recommencements and completions of New Apprentices 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 $1,000 for every trainee commenced.

The first significant change in the funding system in recent times was announced by the Federal Government in July 1995 with 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. The rationale for the change was for the government to be purchasing outcomes rather than simply supporting the operations of these organisations. However, the new system was open to question on the basis of whether it was one of "accountability or intrusion" as recognised by the House of Representatives (1995) report in Chapter 5. It found that some GTCs in a strong financial situation had announced they were going to deny themselves government funding in order to preserve their independence. Very few organisations, however, have gone to such lengths to be free of any responsibility to government.

The next big change to the system occurred in May, 1997 when a set of National Principles for Group Training was agreed upon by the relevant government ministers. These principles, included a commitment to the growth of Group Training and to give effect to this the "New Apprenticeships Through Group Training Expansion Programme" was established. This provided for additional funding for the employment of significantly increased numbers of New Apprentices (100 minimum) conditional on the satisfaction of criteria concerning the type of business, industry and applicants involved. The aim of the Programme was to significantly increase the employment of New Apprentices and thus expand employment opportunities for young Australians and enrich the skill base. Ultimately, this, it was argued, would improve the competitiveness of Australian industry.

Another significant initiative was agreed to about a year later (April, 1998) when the Ministerial Council endorsed the recommendations from the National Steering Committee for Group Training for a National Funding Model. The rationale for this model was based on existing inequities in funding across companies and between states and territories, the changing labour market, new government approaches to the provision and purchasing of services and the increasing significance of Group Training as an employer of apprentices and trainees. The National Funding Model was intended to address these issues by first directing funding towards the purchase of outputs. This was consistent with changes first agreed upon in 1995 and was intended to ensure that government was actually rewarding results in the form of employment of apprentices and trainees and successful completions of training by them. However, at the same time, state and territory governments were encouraged to pursue their own specific policy objectives through the use of weightings which would reflect policy priorities, historical factors and case complexity. Finally, the model would provide for limited establishment funding for new Group Training schemes and for special purpose payments to finance penetration into new markets or other forms of innovation.

An extensive review of the Expansion Programme was conducted by Roger Mathers Consulting (2000) and that review found that there was, initially, considerable interest shown in the Programme with many GTCs making inquiries and developing proposals. However, only sixteen contracts were established between the Commonwealth and GTCs and these were to provide for some 10,000 commencements with only 2,800 having been achieved at the time Mathers reported.

Of the sixteen companies that 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: two having ceased operations

altogether. Thus Mathers concluded that the Programme had under-performed although it had led to the identification of new markets, including additional geographic regions and new industry sectors, and to the establishment of New Apprenticeships in these new markets. Moreover several new companies were started and continued operations.

The following factors were identified by Mathers as working against the success of the program:

- **the required number of contracted commencements**: the stipulated minimum increase of 100 apprentices or trainees was simply out of the question for many organisations and a number of those who contracted for large increases (over 500) found these impossible to achieve especially in the relatively short time-frame stipulated;

- **completion rates**: by opting for a higher completion rate target, companies could increase the remuneration per trainee and this led to targets being set at unrealistic levels (eg 75% to 100% against an average actual completion rate of 60%) - as well, non-completion, under the Programme's definition included school-based trainees returning to 'mainstream' school programmes and trainees gaining permanent employment elsewhere, ironically, outcomes regarded generally as desirable;

- **participation by equity groups**: achieving equity targets proved difficult because of the reluctance of many host employers to take on a trainee with a disadvantage and Mathers identified this as an area in which better management processes were required both on the part of GTCs and employers;

- **participation by small business**: the majority of placements were required to be with small or medium-sized businesses and while some companies achieved this others struggled, finding the costs of servicing these employers very high especially in rural areas;

- **industrial relations**: another requirement was the use of Australian Workplace Agreements (AWAs) or other arrangements providing similar flexibility for employers and this was found restrictive and also expensive to negotiate for many participants;

- **rotation**: it was expected that there would be a certain amount of rotation given the involvement of a large number of small businesses but Mathers expressed some doubt about how much rotation occurs anyway, especially as it imposes increased costs particularly, again, in rural areas;

- **broad-based versus industry-specific companies**: Mathers found that a more balanced mix of both types of company especially in metropolitan areas would assist the growth of Group Training providing industry-specific organisations were encouraged to be more proactive and to provide a full range of employment and training services within the sectors they served;

- **experience**: most of the satisfactory performers in the Programme had been providing Group Training for five years or longer;

- **other employment and training services offered**: it was mainly the broadly-based companies that offered a range of additional services and, with this seen as highly desirable, there was a need to encourage industry-specific organisations to take on these activities;

- **resources required to identify and research markets**: many found that the funding provided proved inadequate to expand into new markets.

The issue of quality in the performance of GTCs, and its measurement, has been extensively researched by ACIRRT. In its first report, ACIRRT addressed the issue by considering recognition and specifically levels of recognition and criteria for recognition (ACIRRT, 1997). Three options were suggested, wherein 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 an accountable competition model and Option 3 a best practice competition model. It was recommended that Option 1 should 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 (ACIRRT, 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:

- planning;

- field officers' performance;

- downtime;

- responsiveness to customer needs;

- management of competition which leads into the issue of recognition and/or accreditation; and

- sensitivity to the local labour market.

ACIRRT reported that State/Territory Training Agencies attached considerable importance to articulating the KPIs with the existing State/Territory VET quality frameworks and to the need to have both minimum operating standards and higher level quality standards. Importance is attached also to the different types of information associated with each; ie statistical versus evidentiary. Concerns articulated by the GTCs involved in the study included:

- the way in which KPIs might be used to increase accountability;

- dangers of excess competition;

- lack of information and feedback from State/Territory and federal government agencies; and

- managing rogue host employers.

In developing priority KPIs, ACIRRT concentrated on the factors listed above but also stressed the need to monitor the role and performance of the boards of directors. Also recommended was the establishment of a national listing of approved GTCs; a process which would be quite distinct from that associated with determining eligibility for funding, and the introduction of systems of benchmarking.

The development of effective systems of benchmarking was also a recommendation of Dench McClean Associates in their review of financial best practice for DEETYA (Dench McClean, 1998). After an intensive investigation of the financial operations of some 58 GTCs, using a set of 9 criteria, three clusters of companies were identified with the first having above average performance, the second, average and the third, below average. The 9 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; and

• profit compared to net worth.

Observations and recommendations in this review centred on, firstly, the need for much improved debt management with 60% of the sample companies having long term host related debt greater than 20% of total host debt. It was recommended that "clear arrangements should be established at the outset with each host employer regarding payments to be made to the group training company and procedures put in place to ensure these arrangements are honoured" (p. 29). Other recommendations included monitoring the ratio of staff to apprentices/trainees to ensure satisfactory work performance from staff; ensuring that there is adequate working capital with a ratio of current assets to current liabilities of 2:1 being seen as satisfactory; and the need to monitor other balance sheet and financial ratios such as those concerning cash reserves, net worth and profitability. It was recognised that most GTCs are not profit driven but the need to operate in an effective and efficient manner was still considered imperative nevertheless.

Another aspect of GTC management to receive detailed attention in recent years has been that of their information systems. A report prepared by the NSW Department of Education and Training (2000) for ANTA, based on national consultation and a survey of over 140 GTCs, 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 found also that GTCs were not maximising the efficiency or capacity of their systems, which were, in many cases, often quite sophisticated. Thus it was recommended that there be:

- tailored education programmes for GTC management;

- encouragement of commercial software vendors to better appreciate the needs of GTCs; and

- encouragement of GTCs to actively participate in software user groups (p.2).

2.6 Gaps in the Literature

A number of reports identified a need for further research to fill existing gaps in the literature. According to Mathers (2000) these gaps were associated with topics such rotation and its incidence and significance, completion rates and factors impacting thereon, host employers and their characteristics and awareness of Group Training especially in the capital cities.

Also, as stated at beginning of this literature review, much of the research into GTCs is issue based and while there have been a number of extensive surveys undertaken, these have tended also to focus on particular aspects. Little information is available on the exact breakdowns of the nation's GTCs according to characteristics such as size, legal status, origins and related associations (industry or regional) and the main occupations and industries serviced.

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[i] Actually that report was informed by an earlier investigation for the Dusseldorp Skills Forum (Sweet and Hoskins, 1989) especially in respect of background information.

[ii] Most of the following information was supplied by ANTA and NCVER.

Chapter 3: Results of the Telephone Survey

PART A: Descriptive Analysis

3.1 Introduction

This chapter sets out the results of the telephone survey conducted as part of the research into group training in Australia in two parts. It presents, in detail, the responses of Group Training Companies (GTCs) to the questions asked and provides some interpretation of these responses in Part A, and also explores relationships that may exist between the various characteristics, functions and experiences of GTCs revealed by the survey. This exploration was carried out separately and will be reported in Part B of this chapter.

The first section includes additional data and analysis drawn from a range of sources, such as NCVER and ABS. This additional data is used to place, where appropriate, the survey results in a broader context or to furnish interpretations of results. An important finding is that the results of this telephone survey are consistent with the results of other recent data gathering exercises. These other data gathering exercises were either focussed on specific aspects of GTC structure/performance or used significantly smaller samples than that employed by the present telephone survey.

The principal purpose of the telephone survey was to provide a comprehensive database on selected core characteristics of Group Training in Australia. These included the corporate structure and ownership of GTCs, staffing of GTCs, the scope of training services provided and industry sectors serviced by GTCs.

The study also investigated issues associated with the host employers serviced by GTCs, such as the number and size of host employers, their policies in relation to New Apprentices (eg, New Apprentice rotation), Occupation Health & Safety (OH&S), difficulties experienced by New Apprentices (eg, learning and workplace related difficulties) and downtime experienced by New Apprentices. The study also investigated recruitment sources and screening strategies used by GTCs, as well as completions and non-completions of contracts of training. Where appropriate, further detail of survey results is provided in the appendices.

3.2 Methodology, Sampling Frame, Instrument and Response Rate

Various sources were accessed in constructing a database of all GTCs across Australia, including Group Training Australia listings of GTCs and listings supplied by NCVER and ANTA.

For GTCs operating from multiple sites, only the site where the CEO or General Manager was located was included in the sample frame. (Though details of these other sites were also reported in the survey). The total was 202 GTCs.

Of the 202 GTCs contacted, 4 were excluded, as the number resulted in a dead line and another 3 were excluded as the company was not known at the number. A further 18 GTCs were excluded due to double sampling (ie, the same respondent was contacted by ringing two separate numbers); and 6 were excluded as the company contacted no longer traded as a GTC. This resulted in a survey sample of 171 eligible GTCs. A total of 131 eligible GTCs 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 the following exceptions:-

- C4* had an 88% response rate or 15 observations missing;

- C5* had a 92% response rate or 11 observations missing;

- F1* had an 87% response rate or 16 observations missing; and

- F2* had a 92% response rate or 11 observations missing.

*Item number from survey questionnaire

Such a high response rate to all questions is unusual and contributed significantly to the quality of the survey results.

The survey instrument and covering letter was faxed to respondents, identified as the CEO or General Manager of the GTC, with the data gathered through telephone interview some days later. This methodology of a telephone interview using a faxed instrument was used for two main reasons:-

a) to increase the response rate, with follow up calls instead of reliance on the respondent returning the instrument in a timely manner; and

b) to minimise recall bias and yield better quality information with the respondent being requested to research the information prior to the interview.

Telephone interviewers specifically asked for the General Manager or CEO to interview as they would be in the best position to answer detailed questions relating to the structure and function of their organisation.

The questionnaire contained eight sections. Section A contained 7 items relating to the structure of the GTC, Section B had two items requesting information on staff levels, Section C had 6 items relating to the scope of training services offered and

industry sectors serviced. Section D had 3 items relating to off the job training, Section E had 9 items relating to host employers, Section F had 4 items relating to New Apprentice recruitment, Section G had one item on non-completion of training contracts and Section H had 9 items relating to employee welfare.

3.3 Section A – Basic Characteristics of Group Training Companies

Geographic Distribution

The majority of GTCs interviewed, 96 (73%), are located in the eastern states, ACT and Tasmania. There were 43 (33%) GTCs interviewed in NSW, 26 (20%) in Victoria, and 21 (16%) in Queensland, with a further 3 (2%) in the ACT. There were 19 (15%) GTCs interviewed in South Australia, 1 in the Northern Territory, 15 (11%) in Western Australia and 3 (2%) in Tasmania (Table 1). This distribution reflects the location of eligible survey units, ie, the site of a GTC at which a CEO or GM is available for interview, and indicates that the majority of GTC headquarters are located on the eastern coast of Australia (Table 2).

Table 1:   Geographic Distribution of GTCs

State	No. of GTCs Interviewed	% of Total GTCs Interviewed
NSW	43	33
ACT	3	2
VIC	26	20
QLD.	21	16
SA	19	14
NT	1	1
WA	15	11
TAS	3	2
TOTAL	131	100

Table 2:   Geographic Distribution of Eligible GTCs (Site of CEO or GM)

State	Refused/ Incomplete	Completed	Total
NSW	12	42	54
ACT	4	3	7
VIC	9	28	37
QLD.	7	19	26
SA	0	20	20
NT	0	1	1
WA	7	15	22
TAS	1	3	4
TOTAL	40	131	171

Table 2 shows the distribution of all 171 GTCs considered eligible for the survey (see above). It virtually mirrors Table 1 suggesting that there was little if any geographically-based non-response bias.

The results from Tables 1 and 2 are consistent with NCVER data on the geographic distribution of GTCs across the states and territories (NCVER 2001a:31). The NCVER has slightly higher proportions of GTCs in Tasmania and the ACT, though these differences almost certainly arise from the fact that the NCVER data is based on the population of GTCs, whereas the data in Table 1 is based on the sample of GTCs who participated in the survey.

There is some variation in the relative share of GT New Apprentices across the states, in comparison with the states' share of total Australian New Apprentices. In some states, GTCs' share of New Apprentices is less than the respective state's share of the national total of New Apprentices (Table 3. - columns 2 and 4). This applies to South Australia, Victoria, NSW, and the ACT. Western Australia, Queensland, Tasmania and the Northern Territory have a higher share of total Australian New Apprentices in GTCs compared to their respective overall state's share of New Apprentices (NCVER 2001a:ix).

Table 3: Group Training Share of New Apprentices. 2000

State	Percentage of Total Australian New Apprentices in GT (%)	Percentage of Total New Apprentices in the State in GT (%)	Percentage of Total New Apprentices in the State (%)
NSW	24.1	11.4	28.6
Victoria	22.7	10.8	28.7
Qld	27.4	20.4	18.3
WA	12.3	23.2	7.2
SA	6.8	8.6	10.8
Tas.	4.0	14.5	3.7
ACT	1.8	13.1	1.8
NT	1.0	16.0	0.8
Australia	100	13.6	100

Source: NCVER 2001a: 31

The other key finding is that there are very considerable differences in the share of total New Apprentices employed by GTCs in each of the states. For example, 23% of all New Apprentices in WA are employed by GTCs. In contrast, only 10.8% and 11.4% of New Apprentices in NSW and Victoria respectively, are employed by GTCs. At face value, these results strongly suggest there is scope for lifting the share of New Apprentices in GT in several states, though it could be that there are state specific factors that lead to such high rates of New Apprentice participation in GT in states such as WA and Queensland. These factors would require investigation before any policy conclusions could be drawn on this matter.

Age of the GT service

Only 3% of GTCs still operating were established between 1970 and 1980 inclusive (Figure 1). A further 52% were established between 1981 and 1990 inclusive, with 6-8 GTCs being established in each year, except for 1987 when 12 were established and another 10 in 1988, 4 in 1989 and 2 in 1990. The remaining 45% were established between 1991 and 2001. However, the above trend of 6-8 GTCs being established in most years was reversed, with 1-5 GTCs being established in most years, except for 1996 when 11 GTCs were established and 1997 when 15 were set up.

Figure 1: Year of GTC Establishment
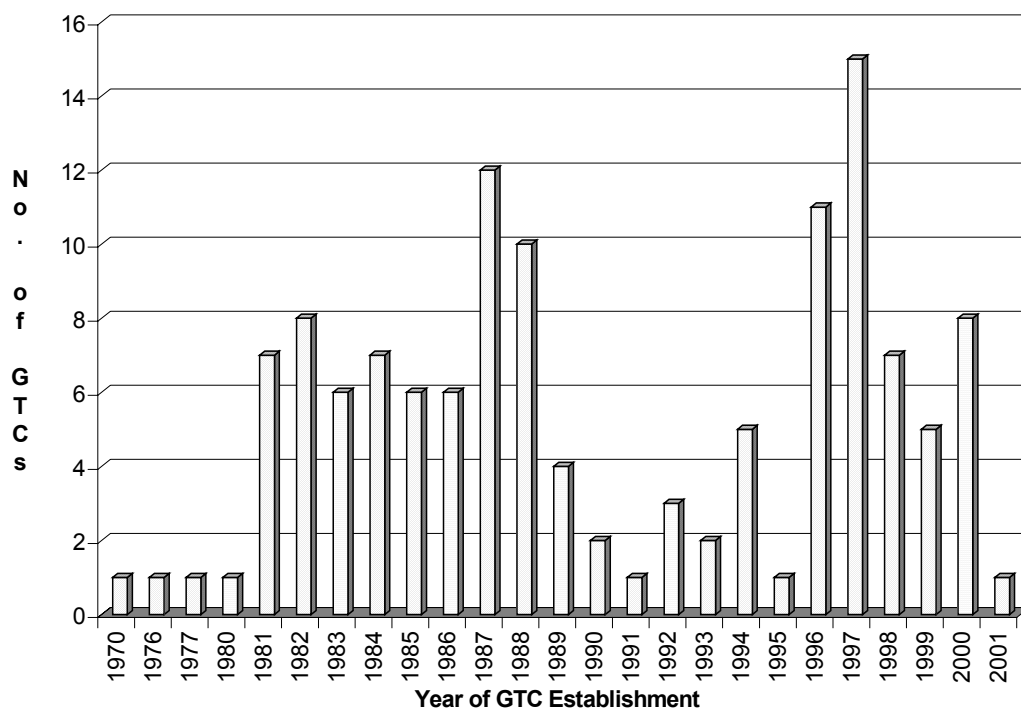
Ownership and Operating Structure

Of the GTCs interviewed, 20% are owned by another organisation. Thus the great majority of GTCs (80%) are distinct or discrete organisations, though as will be shown later these organisations operate a variety of employment and training related services in addition to their core GT functions. Indeed, employment of staff in core GT functions is only a minority of total employment within these organisations.

Within the 20% of GTCs owned and operated by another organisation there is a diversity of organisations involved. 39% of them are owned by an employer association and a further 31% are owned by "other" organisations (Figure 2). A further 23% are owned by a private company, 4% was owned by an employee association and another 4% was owned by a public company (Figure 2).

GTCs were asked to specify what they meant by the "other" organisations that owned and operated them. Responses indicate that these "other" organisations included welfare, not-for-profit charities and 'membership services organisations'.

Figure 2: Operation of GTC by Other Organisations
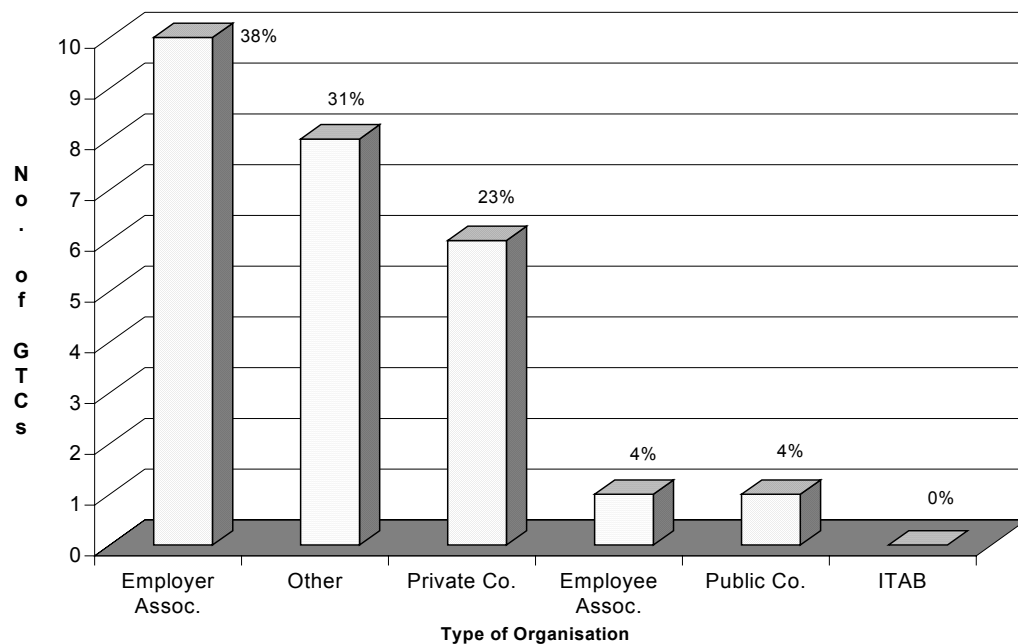
Of the 26 GTCs owned and operated by another organisation, 19 are incorporated separately from the parent organisation for the provision of group training services.

Figure 3: Legal Type of Incorporation of GTCs
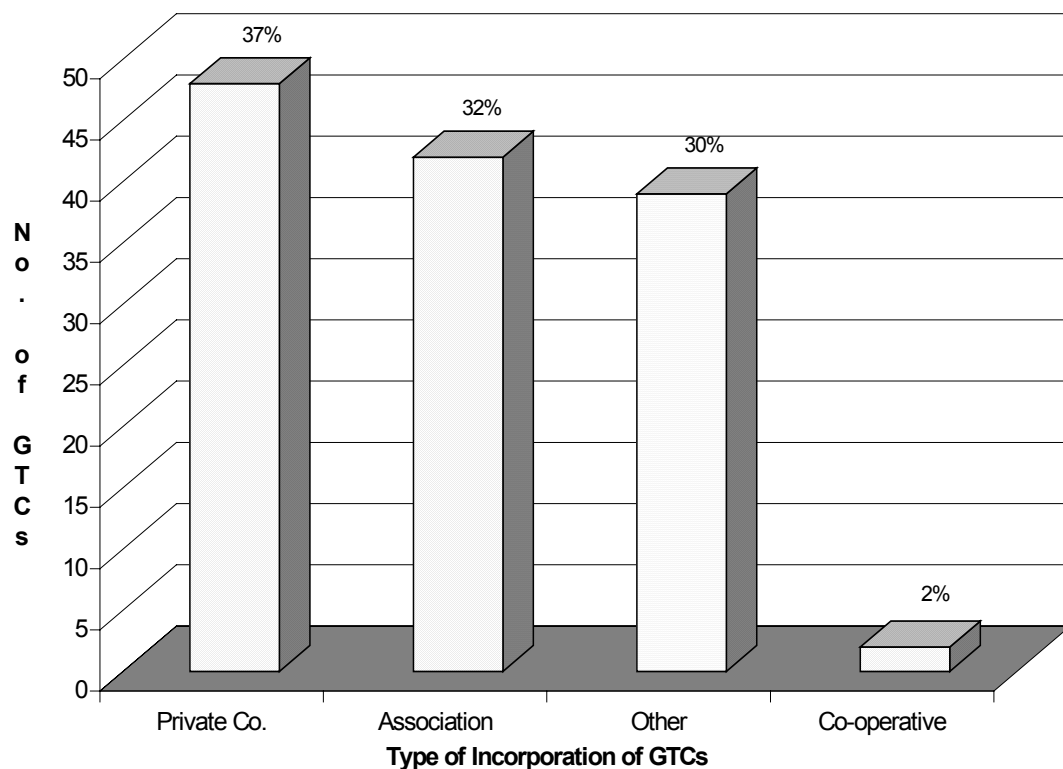
In terms of the GTCs themselves, the most common forms of legal incorporation are a private company, 37%, an association, 32% and "other", 30% (Figure 3). The "other" included a Company Limited By Guarantee; Community Based Organisation; Incorporated Association; Not For Profit Company; Proprietary Company Limited By Shares; Public Company Limited By Guarantee (Non Profit) and a Trust. Only 2 GTCs indicated they were a Co-operative.

Additional Activities

In addition to providing core group training services, **all 131** GTCs interviewed indicated that they or their related legal entities operated other business activities. Just over half of all GTCs only engage in one additional activity. For all GTCs it is clear that these activities are tightly focussed on employment and training related activities (Table 4). In other words, whilst GTCs are diversified in the range of activities they undertake, these additional activities build on the core strengths and expertise of the GTCs. As such almost all of these additional activities are complementary to the core GTC function in that they probably reflect the exploitation of what are known as internal economies of the firm. There are a variety of internal economies, though in this case it arises when it is cheaper for a firm to produce a new type of good or service in conjunction with the production of an existing good or service in comparison with another firm that would only produce the new good or service.

GTCs could indicate that they operate more than one activity, in addition to core GT services and their responses are tabulated in Table 4. They indicate that the majority of GTCs, 64%, operate an RTO; 26% operate general labour hire; 18% operate New Apprenticeship Centres and 17% also operate as Job Network Providers.

Table 4:   Additional Business Activities of GTCs

Additional Operation	No	%*
Registered Training Organisation	84	64.12*
Any 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*

*This percentage refers to the number of GTCs reporting that type of additional activity regardless of other activities reported – thus it is not meaningful to sum these percentages.

A further 45% of GTCs operated "other" commercial activities. Where appropriate, GTCs specified what these activities were, a selection of typical responses are listed in Table 1, Appendix A.

It was noted in the Literature Review that the process of GTCs diversifying the range of their commercial activities began in the early 1990s when the Federal Government announced a policy that GTCs should become more financially self-sufficient. Demands on GTCs to become more financially self-sufficient have been accompanied by a number of changes in the labour and training markets that have greatly increased the supply of commercial opportunities for GTCs. These opportunities are due mainly

to the contracting-out of employment and vocational training services and the huge growth in traineeships as a result of changes to rules governing employer eligibility for employment and training subsidies.

Analysis was also undertaken of the extent to which GTCs are involved in other activities, as identified in Table 2, in isolation or in combination. Table 4 shows that in addition to core GT activities, 26% of GTCs only undertook "other commercial activities or other government funded activities" not elsewhere identified in the table. For another 25% of GTCs, the only other activity was to operate an RTO. For 6% of GTCs their only other activity was to provide general labour hire. No GTCs only operated a Business Enterprise Centre or Job Network or New Apprenticeship Centre. Thus 57% of all GTCs operate only one other activity in addition to their core GT activities. (Almost all GTCs in reporting the type of other commercial activities or other government funded activity, such as the examples given in Table 2, Appendix 1, identified only one activity).

There were 38 (29%) GTCs indicating they operate more than one of the additional activities. The most common combination of activities were operating a RTO **and** "other commercial or government supported activities" undertaken by 8% of GTCs (Table 5). A further 5.4% of GTCs operate an RTO **and** NAC and 5% operate a RTO and general labour hire company. The remainder operated various combinations of the activities listed in the questionnaire and these are presented in Table 2, Appendix A.

Table 5:   Combinations of Additional Business Activities of GTCs

Activity	No.	%
Any other commercial or government supported activity (CGSA)*	34	26
Registered Training Organisation (RTO)	33	25
General Labour Hire (GLH)	8	6
Any other commercial or government supported activity and RTO	10	8
New Apprenticeship Centre (NAC) and RTO	7	5
RTO and General Labour Hire	6	5
RTO and Job Network Provider (JNP)	5	4
NAC, RTO, JNP and GLH	4	3
RTO, JNP, GLH and CGSA	3	2
NAC, RTO, JNP, GLH and CGSA	3	2

* Note, this government supported activity excludes any other government supported activity included in the table.

Government Funding

66% of GTCs indicated that they received Joint Policy Funds during 2000-2001. As will be discussed in the second part of this chapter it emerged that those receiving this funding tended to be older and larger GTCs.

3.4 Section B: GTC Employment Patterns

The purpose of this section was to examine the structure of employment within GTCs and their related legal entities. Two definitions of employment were used, though both definitions exclude employment of New Apprentices. The first was employment in core GT activities only, and the second was total employment; ie employment in core GT activities and/or any other activities undertaken by the GTC or related entities.

Employment in the provision of core GT services

There were 1,449 full time staff employed in the provision of core GT services as at June 2001.

The number of staff varied across GTCs. The average number was 11, with a maximum value of 59 and a minimum of one. A more reliable measure is the median value of 8 staff. These trends are evident in Figure 4 which shows that 40% of GTCs have between 1-5 full time staff employed in core GT services. 86% of GTCs have 20 or less staff and only 2% of GTCs have between 51 and 60 staff.

Figure 4: Number of Full Time Staff (Core Services) at GTC
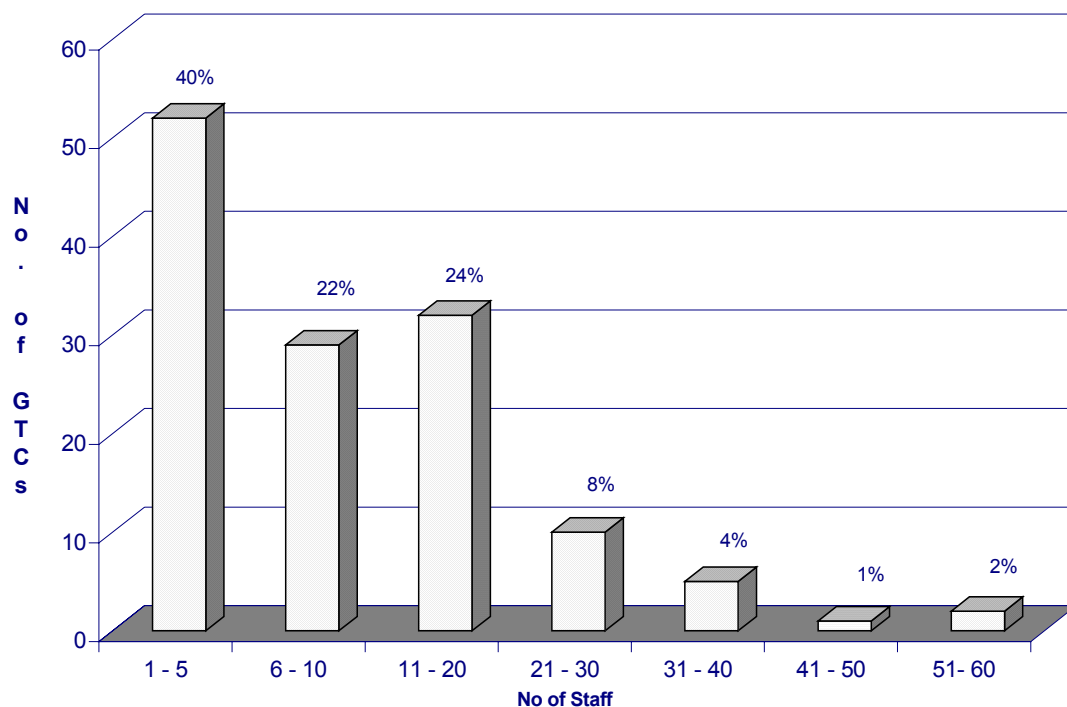
The employment of **part time** staff (as opposed to full-time staff) in GTCs was found to be largely insignificant. The total number of part time staff employed in the provision of core GT services as at June 2001 was 149 (Figure 1 Appendix A). For every 10 full time staff there is 1 part time employee. The average number of part

time staff employed at a GTC in the provision of core services was 1, with a maximum value of 6 and a minimum of zero. The median value was also 1.

Employment in the provision of all services

The total number of full time staff employed in the provision of all services (including core GT services) as at June 2001 was 5,141 employees. For all GTCs, full time staff engaged in the provision of core GT services represents only 28% of total employment in GTCs and related entities.

The average number of full time staff was 40 with a maximum value of 826 and a minimum of one. The median was 17 full time staff employed in all services. The employment size distribution is presented in Figure 5. It shows that 18% or close to one in five GTCs, have 5 or less full time staff. It also indicates that 59% of GTCs have no more than 20 full time staff employed in the provision of all GT services and that 87% of all GTCs have 50 or fewer full time employees engaged in the provision of all services.

Figure 5: Number of Full Time Staff (All Services)
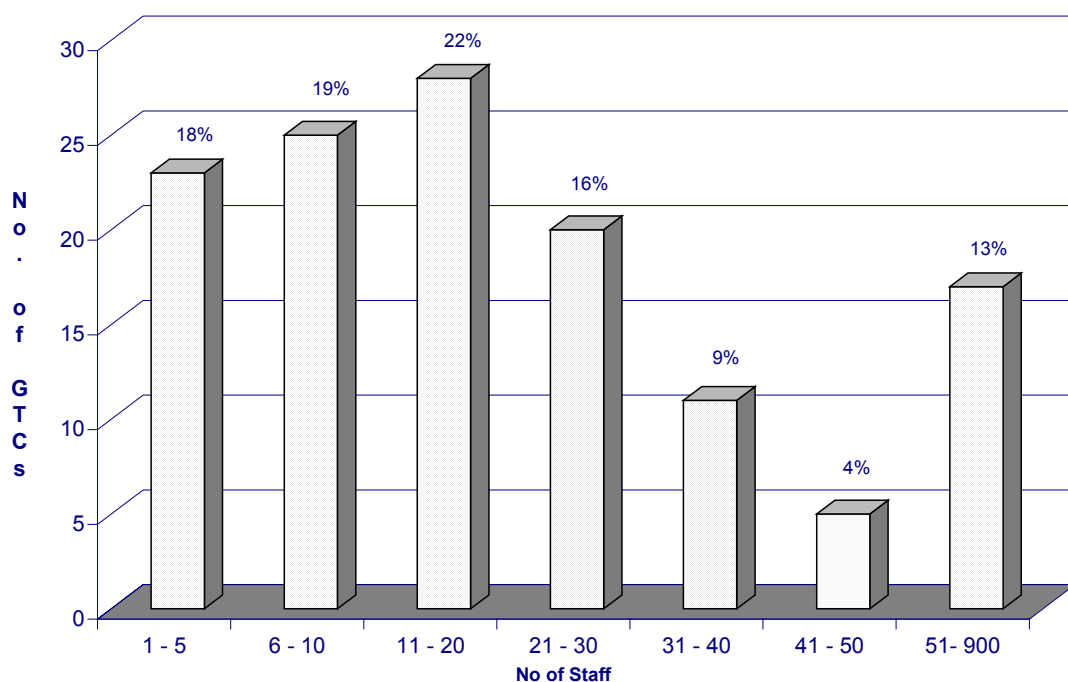
The total number of **part time** (as opposed to full time) staff employed in the provision of all services was 1,102 as at June 2001. The average number of part time staff was 9, with a maximum value of 400 and a minimum of zero (Figure 2, Appendix A). However, the distribution is skewed and the average is inflated by 2 large values (400 at one GTC and 220 at another) so that a more reliable measure is the median value of 2 staff.

The data in the preceding graphs showed the number and percentage of GTCs in employment size categories. Another key element in the analysis of employment in GTCs is the distribution of total employment across all GTCs by firm size. Figure 6

shows the percentage distribution of total employment by firm size for full time employees engaged in core GT services and all services.

The key features are that 26% of full time staff (core GT services) are employed in small GTCs with 1-10 staff. However the majority, 66% of full time staff (core GT services), are employed at medium sized GTCs, with employment sizes of 11-50 staff. This is evenly divided with 33% in GTCs with 11-20 employees and 33% in GTCs with 21-50 employees. Only 8% of full time staff (core services) is employed in GTCs, with 51-100 staff.

These results contrast with those in Figure 4 which showed the distribution of GTCs by employment size (core services). In particular, 62% of all GTCs had between 1-10 employees. This is more than double the distribution of employment by firm size, as indicated above, with just 26% of all full time core GT employees in firms with 1-10 staff. In summary, these results show that whilst the majority of GTCs (62%) are small, with 10 or fewer full time core GT employees, the majority of core GT employees (66%) are employed in medium sized GTCs with 11-50 staff.

These results are consistent with studies for many industries in the economy where the majority of firms in an industry are small, but medium and larger firms have a disproportionate share of total employment within the industry (Industry Commission/DIST 1997: Table 2.1).

These trends are even more evident for full time employees engaged in all services supplied by the GTC and related entities (including core GT services). The large majority of full time staff (64%) is employed in very large GTCs with more than 100 employees. Only 6% of full time staff (all services) is employed in small GTCs, ie those with 1-10 employees. These findings are consistent with the earlier finding that that core GTC employees comprised only 28% of total employment in GTCs and related entities.

Another way of looking at GTC size is in terms of the number of New Apprentices employed at GTCs. Analysing full time employment for the provision of core and all GT services by the student size of the GTC yields quite a different picture of employment of GTC staff (Figure 7). Employment of full time staff (all services) reverses the trend shown above (Figure 6).

Figure 6: Percentage of GTC Staff Employed by GTC Size (Number of Employees)
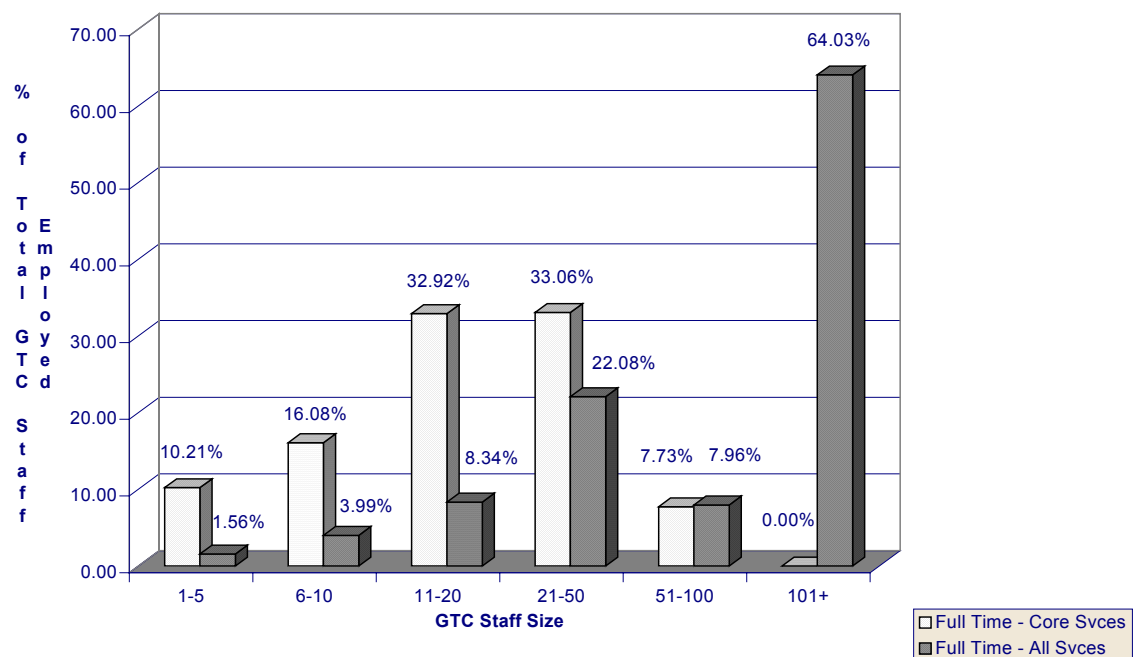
There are three interesting features of the distribution of GTC staff employed in the provision of core services and all services by the student size of the GTC (Figure 7). Firstly, a key feature is the **even** distribution of employment of GTC staff for **core** services, regardless of the number of New Apprentices at the GTC. Each of the three student size categories has around one–third of all GTC staff engaged in the provision of core GT activities. This relatively even distribution of employment is due to the similar staff-student ratios across GTCs in different student size categories. The average staff-student ratios for GTCs with up to 100 New Apprentices was 18.5; for GTCs with 101 to 300 it was 25 and for GTCs with more than 300 it was 27. (These staff-student ratios are discussed in more detail later).

Secondly, the majority (53%) of GTC staff employed in the provision of **all** services is employed by the medium sized GTCs, ie those with 101 to 300 New Apprentices. The third feature is the fact that small GTCs employ a greater percentage of GTC staff for the provision of all services (26%), than do large GTCs (22%).

Figure 7: Percentage of GTC Staff Employed by GTC Size (Number of Students)
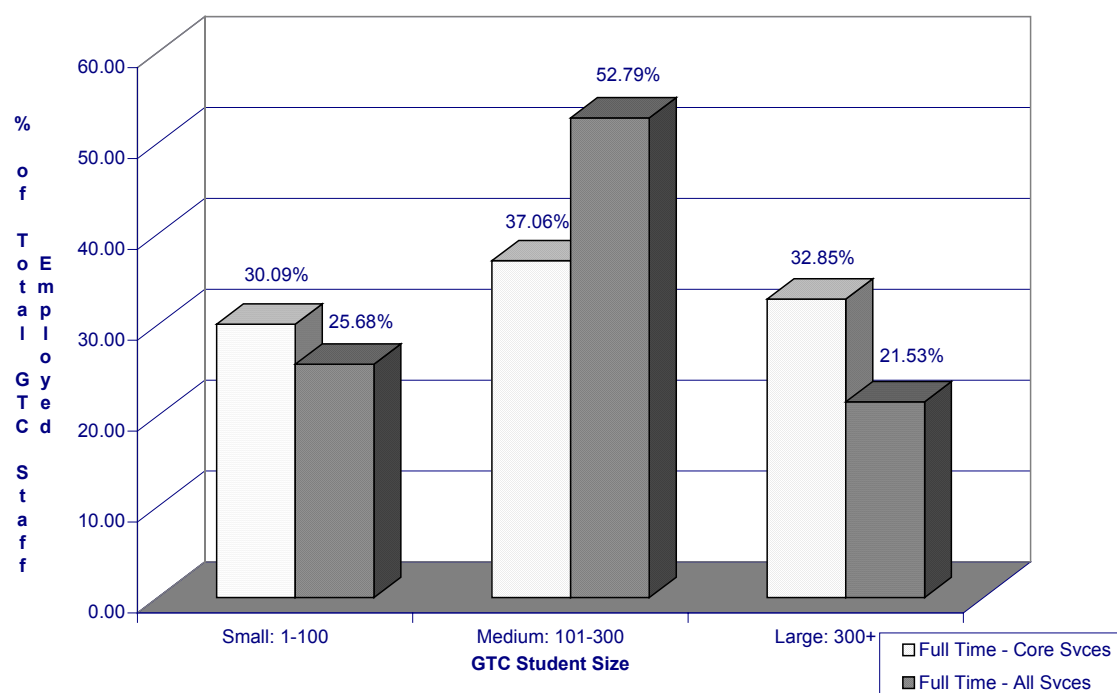
3.5 Section C: Scope of Group Training

The total number of New Apprentices employed by GTCs reported as at June 2001 was 32,441. The NCVER found that as at June 2000 there were 37,800 New Apprentices in Group Training. This higher number reflects the fact that the telephone survey only had data on 78% of all GTCs.

The average number of New Apprentices employed by GTCs as at June 2001 was 250, with a maximum value of 1004 and a minimum value of zero. A more reliable measure is the median value of 173 New Apprentices. The few GTCs reporting zero New Apprentices were either just (re)-commencing a GT service or closing the GT operation down.

Almost 51% of GTCs employed between 101 to 500 New Apprentices (Figure 8). A further 14% of GTCs have between 501 and 1005 new apprentices and 35% of GTCs have 100 or less New Apprentices.

Figure 8: No. of New Apprentices
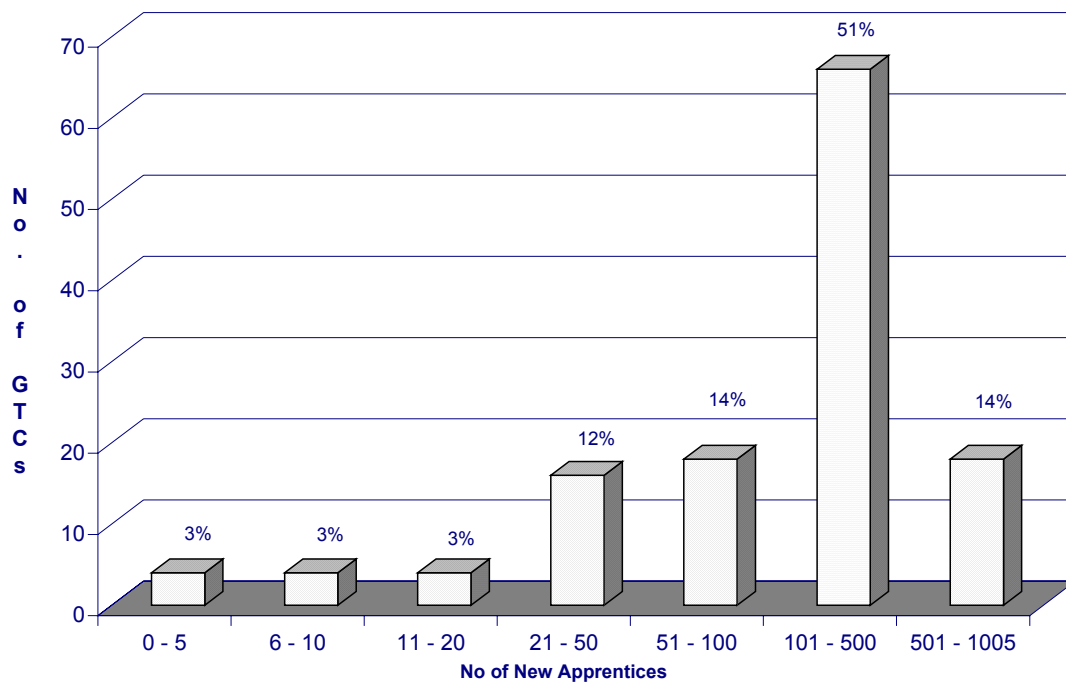
The employment of apprentices, ie traditional (trade) apprentices[1], and the employment of trainees was each considered separately.

Employment of Apprentices

The total number of traditional (trade) apprentices employed by GTCs as at June 2001 was 19,651. In other words, 61% of all New Apprentices employed by GTCs are traditional apprentices. These estimates of the distribution of apprentices and trainees across GTCs relate closely to NCVER data which show that skilled trades and related occupations comprise just over 63% of total GTCs New Apprentices in 2000 (NCVER 2001a:16). The trades and related occupations are overwhelmingly apprentices.

GTCs employ a higher proportion of apprentices amongst their New Apprentices compared to the share of apprentices in the total population of New Apprentices in

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[1] The term traditional (trade) apprentices is used in reference to those undertaking training in occupations generally known as the trades; ie those skilled occupations found in construction, manufacturing and mining. Traditional apprenticeships have a long history as opposed to the bulk of traineeships which have appeared more recently and are generally found in industries such as retail trade, tourism and hospitality.

Australia. In 2000, 63% of GTC New Apprentices are trades and related occupations, compared to 50% of such occupations in the total population of New Apprentices in Australia (NCVER 2001a:vii). This is in part a legacy of the history of GT in Australia, as it was developed to cater to the needs of employers of apprentices. These trends have led the NCVER to observe:

> *'The growth of apprentice and trainee numbers into other occupational groups has meant that the traditional skilled trades in the group training system has waned. While the general apprenticeship and traineeship 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 2001a:vii).

The average number of traditional apprentices employed in each GTC was 151, with a maximum value of 850 and a minimum value of zero. A more reliable measure is the median value of 105 traditional apprentices. Almost half of all GTCs (45%) employ between 101 and 500 traditional apprentices (Figure 9). However, 23% or nearly one in four GTCs employ five or less apprentices.

Figure 9: Number of (Traditional) Apprentices Employed by GTCs
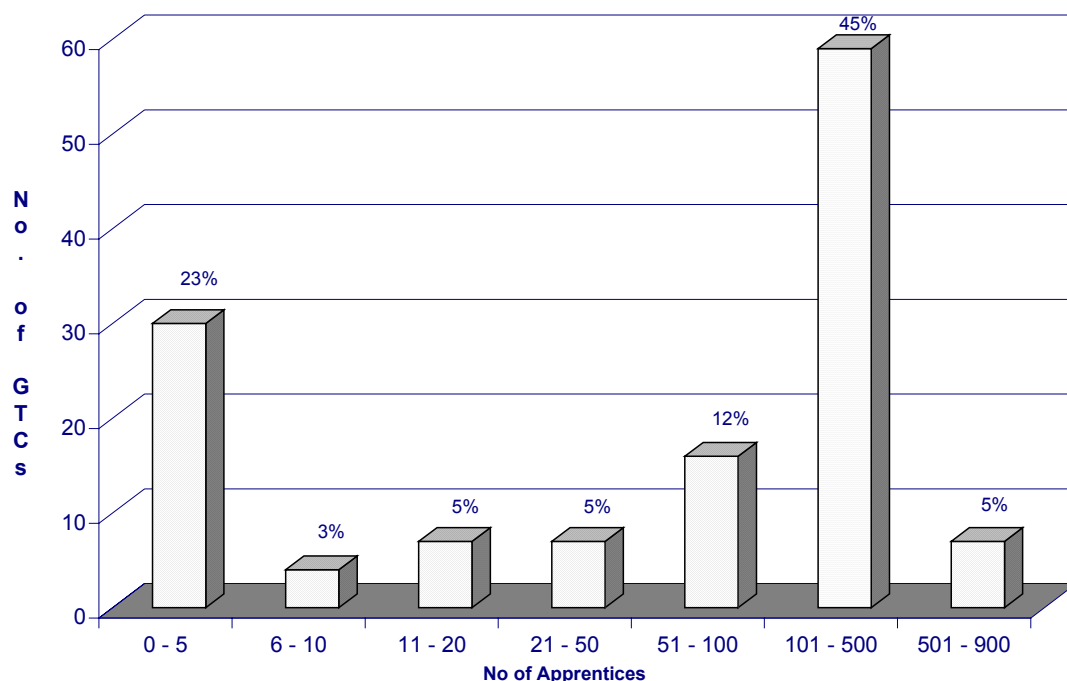
When attention turned to the most common types of apprenticeship making up the employment at GTCs, it was found that these are construction (67% of GTCs), metals/engineering (51%) and electrical/electronic (45%). Hairdressing was reported by only 4% of GTCs as being amongst their largest number of apprentices. (Table 6. For details of 'other' see Table 8)

Table 6:   Percentage of GTCs Reporting Employment of Apprenticeship Types

Apprenticeship	No	%*
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*

*This percentage refers to the number of GTCs reporting that type of apprenticeship as employing the most apprentices regardless of other types of apprenticeships reported – thus it is not meaningful to sum these percentages.

The large proportion of GTCs reporting employment of construction trades apprentices is to be expected given that construction firms have a large range of impediments to continuing employment of apprentices that GTCs are intended to redress. As identified in the literature review, many industries have impediments to the employment of apprentices and trainees due to the small size of many firms and a high propensity amongst such firms to discharge employees as business cycles turn down.[2] These impediments are especially severe in the construction industry. In fact, among the very first GTCs in Australia were those established by the construction industry.

These findings are supported by other analyses comparing the percentage of total New Apprenticeships belonging to each occupation in GTCs with the percentage of total New Apprentices belonging to that particular occupation. It is evident from Table 7 that the share of construction trades apprentices in GTCs (21%) is nearly double that of its share of total New Apprentices (11%). It is interesting to note, on the other hand, that Hairdressing is significantly under-represented in GTCs (.5%) compared to its proportion of total New Apprenticeships (3.9%). The lower share of Hairdressing is due, in part, to the under-representation of females among GTC New Apprentices. The majority of Hairdressing New Apprentices are female. In 2000, 23% of GTC New Apprentices were female; in contrast, 32% of total Australian New Apprentices were female (NCVER 2001a:26). Again, these industry and gender differences probably reflect both an historical legacy, as GT was established to service trade apprentices, and the differences in the economics of training across different industries.

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[2] 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). In other words, these studies have found that the volatility of output in construction is no greater than for many 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 onto or 'hoard' labour as they enter a down turn in a business cycle and are slower to put on labour, compared to construction firms, as the business cycle improves (Toner 2000 and 2001).

The structure and performance of some industries results in a lower need for and use of the services of GT, whereas other industries are increasingly reliant on GT even to maintain their current level of investment in training, let alone increase this investment. It follows therefore, that demands on GT to extend into other industries and to ensure that the occupational and industry profile and other characteristics of GT New Apprentices match that of the total population of New Apprentices 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 GT services across different industries and occupations.

Table 7:   Proportion of New Apprentices in Trade and Related Occupations Employed by Group Training and Total. 2000

ASCO Code	Occupation	% of Total New Apprentices Employed by GT	% of Total New Apprentices Employed
41	Mechanical & fabrication	8.1	6.9
42	Automotive	10.2	8.7
43	Electrical & 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

Source: (NCVER 2001a:17; NCVER 2001b:65)

Table 8 below records the diversity of apprenticeships reported by GTCs as falling into the "other" category.

Table 8:   "Other" Apprenticeships

Apprenticeship
Dental technology
Local government and forestry
Meat processing
Meat retailing
Plumbing and roofing
Transport

Combinations reported by GTCs indicate that as at June 2001, the three types of apprenticeships that employed the most apprentices varied across GTCs. The three most common combinations were:-
  i)   metals/engineering, electrical and construction, 23 (20%) GTCs;

ii)   metals/engineering, construction and automotive, 10 (9%) GTCs; and

iii)   metals/engineering, electrical and automotive, 8 (7%) GTCs.

The remainder reported unique combinations (For full details see Table 3, Appendix A).

Employment of Trainees

The total number of trainees employed by GTCs as at June 2001 was 12,832, which constitutes 39% of all New Apprentices employed by GTCs. The average number of trainees employed by GTCs was 99, with a maximum value of 578 and a minimum value of zero. A more reliable measure is the median value of 54 trainees.

There is a more even distribution of the number of trainees across GTCs compared to apprentices (Figure 10). Whereas apprentices were concentrated in either quite small groups, less than 5, or large groups, over 100, the number of trainees at each GTC is more equally spread.

Results show that 21% of GTCs employ 5 or fewer trainees, 17% of GTCs employ 21-50 trainees, 22% of GTCs employ 51-100 trainees and 27% of GTCs employ 101-500 trainees. (As the number of New Apprentices, traditional apprentices and trainees, reported by GTCs are estimates the addition of traditional apprentices and trainees does not necessarily agree with the total number of New Apprentices.)

Figure 10: Number of Trainees Employed by GTCs
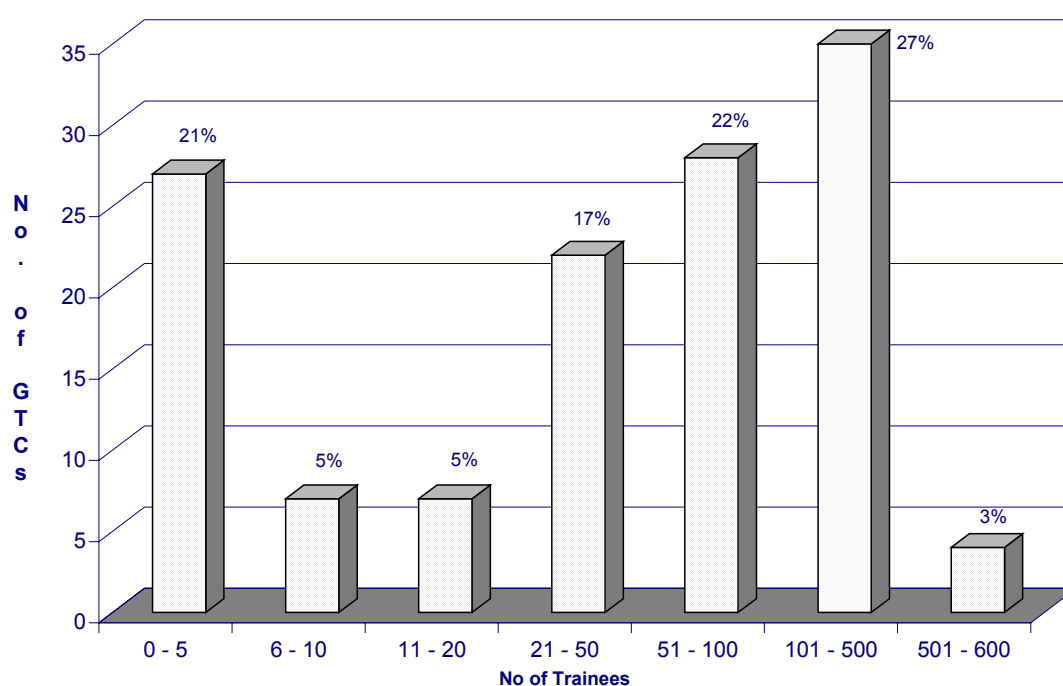
The most common types of trainee employed by GTCs are clerical/administration (76% of GTCs), retail (35%) and 'other' (33%) (Table 9. For details of 'other' see

Table 4, Appendix A). Security, cleaning and construction were each reported by only 2% of GTCs as being amongst their largest number of trainees.

It is interesting to note that whilst the type of traineeship most frequently cited by GTCs as being the most common differs in some respects from the most common type of apprenticeship, there is still some element of overlap. GTCs reported that traineeships and apprenticeships for metals and engineering, cooking and horticulture were amongst the most common New Apprentices they employed.

This reflects the recent rapid growth of traineeships outside of traditional 'white collar' occupations (NCVER 2001b). It may also reflect a degree of substitution of traineeships for apprenticeships (NSW Board of Vocational Education and Training 2001 *Trends in NSW Apprenticeships and Traineeships*).

Table 9: Percentage of GTCs Reporting Employment of Traineeships

Traineeship	No	%*
Clerical/office administration	91	75.83*
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*

*This percentage refers to the number of GTCs reporting that type of traineeship regardless of other types of traineeships reported – thus it is not meaningful to sum these percentages.

When relevant, respondents were also requested to specify the "other" traineeships and the most common specified were largely related to the services sectors with aged and child care, community services, and agriculture each nominated by 5 GTCs (see Table 4, Appendix A). Sport and recreation was reported by 4 GTCs with the rest being reported by 3 or fewer GTCs. However, the majority of the remaining traineeships are also largely related to the services sector, eg, meat and food preparation, financial services, warehousing, tourism, dental assistants and general retail.

Combinations reported by GTCs indicate that as at June 2001, the three types of traineeships that employed the most trainees also varied across GTCs, the top two combinations were:-

i)   retail, clerical/office administration and cooking/hospitality, 10 (8%) GTCs; and

ii)   retail, clerical/office administration and "other", 7 (3%) GTCs .

The remainder reported unique combinations (For full details see Table 5, Appendix A).

Industrial Coverage - all New Apprentices

The key industries in which New Apprentices employed by GTCs were located were construction (reported by 58% of GTCs), retail (reported by 48% of GTCs) and manufacturing (45% of GTCs) (Table 10). The sector least frequently reported as employing New Apprentices was wholesale, 18% of GTCs, followed by the cultural and recreational services sector, 21% of GTCs. An important result is that all of the 17 industries (derived from the Australian and New Zealand Standard Industrial Classification) were identified by GTCs, again indicating the very wide spread of New Apprenticeships.

These results are consistent with the data for types of apprenticeships and traineeships which showed that the most common types were in construction; manufacturing, electricity gas and water; cooking and hospitality.

Table 10: Industry Sectors employing New Apprentices

Industry Sector	No	%*
Construction	76	58.46*
Retail	63	48.46*
Manufacturing	58	44.62*
Accommodation, cafes, restaurants	57	43.85*
Health & community services	49	37.69*
Electricity, gas water	48	36.92*
Transport, storage	45	34.62*
Agriculture, forestry, fishing	43	33.08*
Property & business services	42	32.31*
Govt admin & defence	40	30.77*
Education	40	30.77*
Communication services	38	29.23*
Personal &other services	35	26.92*
Finance & insurance	31	23.85*
Mining	28	21.54*
Cultural & recreational services	27	20.77*
Wholesale	23	17.69*

*This percentage refers to the number of GTCs reporting that industry sector as one where their New Apprentices worked regardless of other sectors reported – thus it is not meaningful to sum these percentages.

Combinations reported by GTCs for this item were analysed separately. Only 21 of the GTCs reported that their New Apprentices were confined to one industry sector, with 12 of them reporting Construction to be that sector.

At the other end of the scale 6 GTCs reported that their New Apprentices worked in **all 17** industry sectors while the remainder reported their New Apprentices as working in such a variety of sectors that it is virtually impossible to determine distinct patterns. (For full details see Table 6, Appendix A).

3.6 Section D – Off the Job Training

The majority of GTCs, 92%, indicated some of their New Apprentices had received off the job training from a public training provider over 2000-2001, with 61% indicating that some of their New Apprentices had received training from an RTO linked to the GTC over 2000-2001.

At the same time, 70% indicated their New Apprentices had received training from another private training provider over 2000-2001

In summary, the results of this section indicate that GTCs make use of a very broad range of public, private and internal training providers. The data however, does not indicate the relative significance of the three providers in terms of the distribution of training effort across the providers. For this, additional data would be required in terms of measures such as training hours, expenditure on training or numbers of New Apprentices trained for the three providers of off the job training.

3.7 Section E – Host Employers

The total number of host employers hosting New Apprentices as at June, 2001 was 21,336. (The question elicited information on host employers actually using the service of the GTC as at June 2001, as opposed to host employers who may have been notionally 'on the books' of GTCs ie. past and potential future users of the GTC service). There was considerable variation in the number of employers hosting New Apprentices as reported by GTCs. As at June 2001, the average number of employers hosting New Apprentices was 165, with a maximum value of 1600 reported by one GTC and a minimum of zero by another. The median or middle value was 111. The GTC reporting zero host employers was one of the GTCs reporting zero New Apprentices, for the reasons outlined in section C1.

Nearly half (49%) of all GTCs serviced between 101 and 500 host employers as at June 2001 (Figure 11). Close to one in five GTCs (19%) had 51-100 host employers. Only 2% of GTCs had more than 500 host employers.

Figure 11: Number of Host Employers Hosting New Apprentices as at June 2001
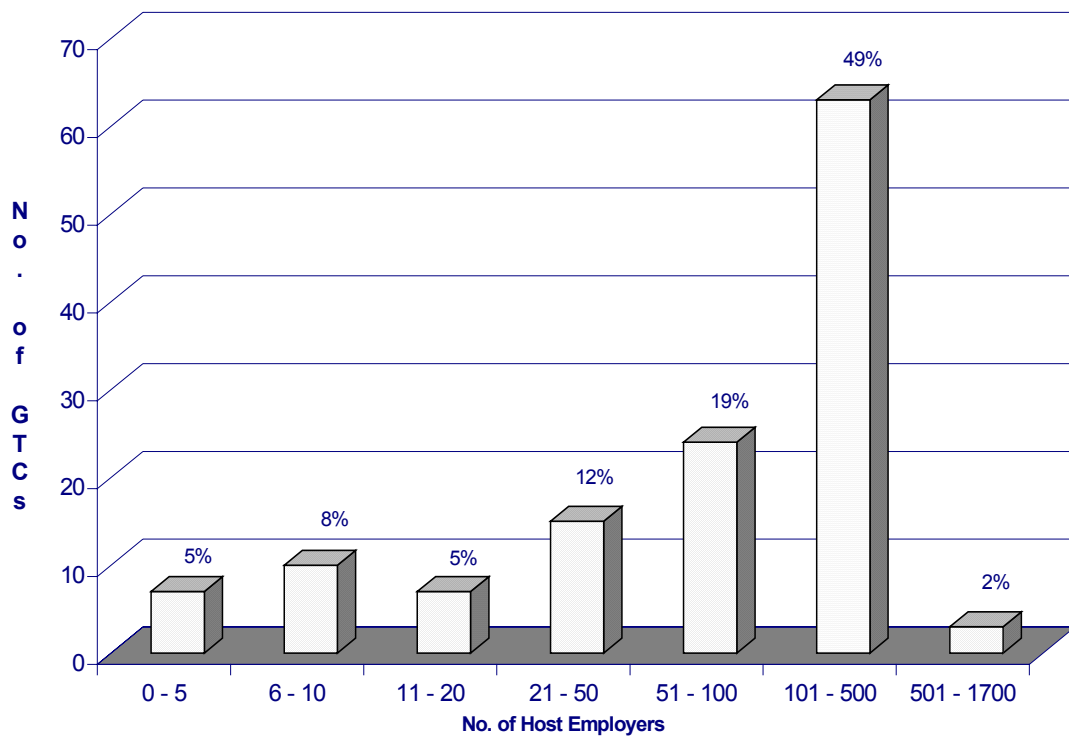
GTCs were then asked the number of host employers hosting New Apprentices over the period 2000-2001 in order to gain estimates of the numbers of GTCs' host employers over a period of time. The total number of host employers serviced by GTCs over 2001 was 26,587. The number of host employers over a year is only 25% larger than at a single point in time. This result probably reflects the fact that New Apprentices have a low turnover of host employers, so that the average duration of employment of New Apprentices with a host employer is reasonably lengthy, at around close to one year.

This interpretation of the data is tentative as the actual distribution of the length of employment of New Apprentices with host employers could be highly skewed towards both long and short periods of employment.

As with the results at a single point in time, the number of host employers varied considerably across GTCs over 2000-2001. The average number of employers hosting New Apprentices was 207, with a maximum value of 3000 reported by one GTC and a minimum value of zero by another (Figure 12). A more robust measure is the median or middle value, which is 125. The distribution of host employers over 2000-2001 was very similar to that for June 2001.

Figure 12: No. of Host Employers Hosting New Apprentices Over 2000-2001
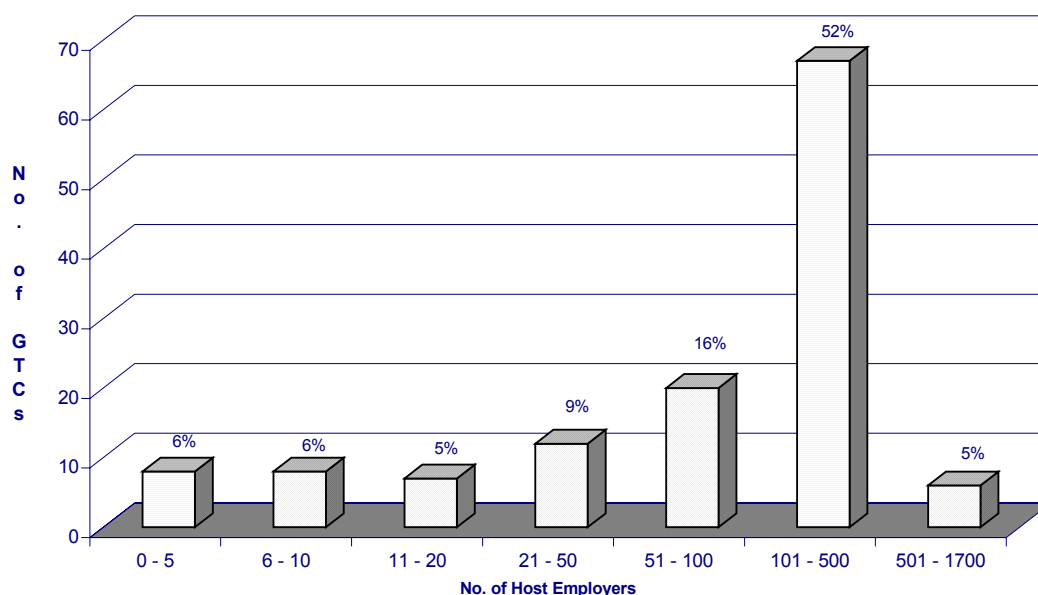
Size of Host Employers

As at June 2001, average firm sizes of host employers serviced by GTCs were:-

i)   a firm size of 1-5 employees was reported, on average, by 35% of GTCs;

ii)   a firm size of 6-20 employees was reported, on average, by 22% of GTCs;

iii)   a firm size of 21-50 employees was reported, on average, by 12% of GTCs;

iv)   a firm size of 51-100 employees was reported, on average, by 6% of GTCs; and

v)   a firm size of more than 100 employees was reported, on average, by 8% of GTCs.

The majority of host employers operate small to medium sized enterprises, employing between 1-20 staff as reflected by the two largest averages for reporting a firm size for their host employers of either 1-5 or 6-20 employees. The vast majority (93%) of GTCs reported they did not know the firm size of up to 25% of their host employers, while only a small number of GTCs did not know the firm size of 76 to 100% of their host employers (Figure 13).

Figure 13: Percentage of Host Employers Whose Firm Size is Unknown
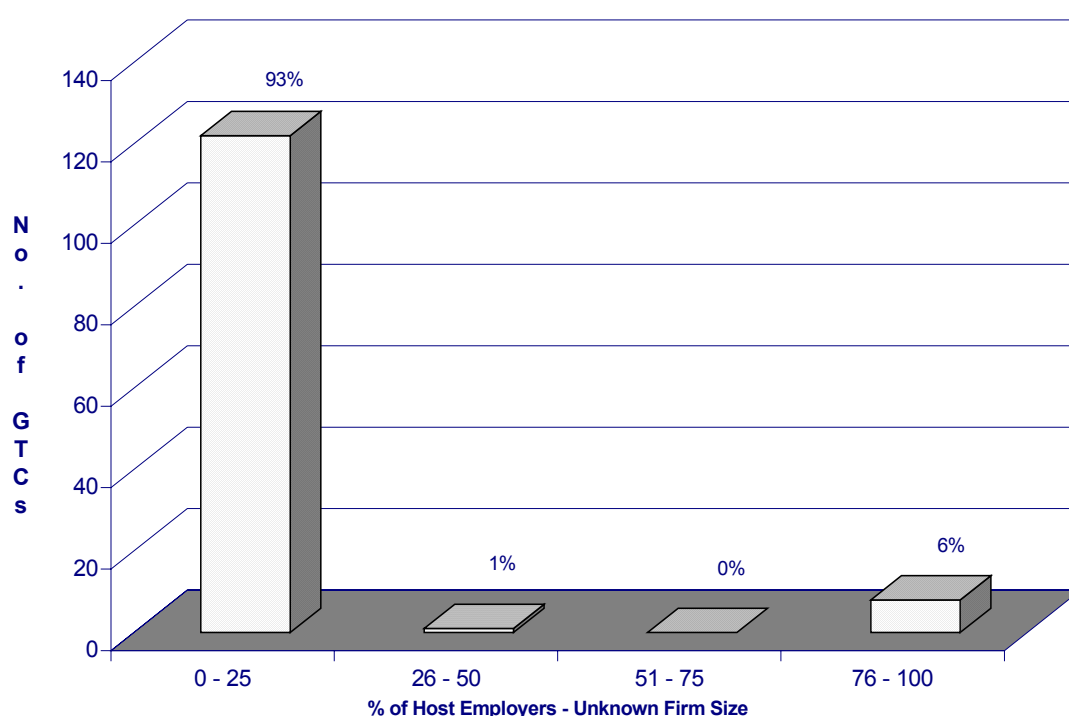
These results differ from those found in a survey of GTCs undertaken by Group Training Australia in 1996 (NCVER 2001a: 14). This 1996 survey found that around 53% of host employers had 5 or less employees. This compares with an average of 35% of host employers in 2001.

The 1996 and 2001 surveys had similar proportions of large employers with both reporting around 14% of host employers employ more than 50 persons. These results suggest that there has been an increase in the proportion of medium sized host employers, that is, with between 20 and 50 employees. This is due to 'the use of group training companies (NCVER 2001a: 15) and the increased share of traineeships among GTCs New Apprentices and the fact that the average firm size of businesses employing trainees is larger than that for businesses employing apprentices.

Rotation of New Apprentices

64% of GTCs that indicated they have a rotation policy in place for the purpose of exposing New Apprentices to access a broad range of skills and work environments.

The practice of rotating New Apprentices across a range of host employers was traditionally argued to be an important function of GT. This was based on the view that such practices would improve the quality of training by exposing New Apprentices to a broad range of work environments and/or that the increased specialisation of production across firms resulted in a narrowing of skills to which New Apprentices could be exposed at a single workplace.

It must be noted that rotation of New Apprentices is not a contractual requirement for funding of GTCs under Joint Policy funding. Further, it is understood many host employers object to the disruption to their business that rotation can cause, especially

when these employers are satisfied with the performance of the New Apprentices and have invested effort into training them to their particular requirements. There are also anecdotal reports that the practice of rotation has declined over the years.

This is attributed to traineeships having a shorter term of the contract of training compared to apprenticeships. Traineeships typically have a term of training of 1 to 2 years, whereas apprentices have a term of training between 3 to 4 years. According to other research, 39% of New Apprentices in GTCs are undertaking training of up to 2 years duration (NCVER 2001a: 21). Prior to the very rapid growth of traineeships in the last 5 years, almost all GTC 'New Apprentices' were apprentices. Secondly, as noted above, the typical firm size of businesses employing trainees is larger than that for apprentices. The larger firm size implies that trainees require less rotation as larger firms can expose New Apprentices to a broader range of activities than smaller firms.

Downtime

"Downtime" refers to those periods when New Apprentices are not able to be found employment. While only certain questions could be asked about this problem, it was discovered that, for 55% of GTCs, particular types of New Apprentices experience more 'downtime' than others. Those types were found, in a large proportion of cases, to be associated with the construction industry with 69% of GTCs who indicated downtime affected certain types of New Apprentices more than others citing construction related occupations as those most affected (Table 11).

This finding is consistent with the earlier finding that construction related New Apprentices are the most common type of New Apprentice to be employed by GTCs. At that stage it was noted that the reason for the predominance of these occupations is that the construction industry has the highest volatility of employment over the business cycle than any other industry. It is to be expected therefore, that construction related New Apprentices would be identified with a comparatively higher propensity to experience more downtime.

The remaining 22 (21%) of New Apprenticeships identified as experiencing more downtime than others are spread across a broad range of industries and types.

These results are consistent with the only other substantial survey based study of downtime for New Apprentices in GTCs. As noted in the Literature Review, the study by Misko (1997) identified the greatest problem area for downtime was construction related occupations. Interestingly, this study also found that the second greatest problem area was Hospitality and Cooking. This is also the result from the present study (Table 10). Misko found that in the food industry there was competition between apprentices and young overseas tourists with relevant work experience who are prepared to work for lower wages.

Other studies examining the labour market impact of young tourists, especially those entering under the Working Holiday visa program, have identified hospitality as a major employer of such tourists and some adverse labour market effects on local residents from the employment of Working Holiday Makers (Toner 2001).

Table 11: Number of New Apprentices experiencing more 'downtime'

Type of New Apprentice   (No. of responses)

Building/Construction (49)

Hospitality (4)

Electrical (3)

First year apprentices (2)

Agriculture (1)

Apprentice cooks (1)

Certificate 3 community services (1)

Clerical (1)

Engineering fabrication construction/hospitality (1)

Engineering, construction, retail (1)

Heavy fabrication welding (1)

Manufacturing (1)

Marginal apprentices / ones of a marginal standard (1)

Metals industry (1)

School based trainees (1)

Store work (1)

Younger trainees (1)

Another characteristic of downtime is that it seems to affect apprentices more than trainees. Of the 71 GTCs indicating that particular types of New Apprentices experience more 'downtime' than others, 64 indicated these were apprentices while only 8 reported these were trainees (Figure 14). This result almost certainly reflects the fact that most construction related New Apprentices are apprentices. (Other research by Toner (2000) into the construction related New Apprenticeships found that of the 1998-1999 Australian intake around 10% of these occupations were traineeships. This data relates to total new apprentice intake, not just GTC intake).

Figure 14: Incidence of Downtime Experienced by Apprentices and Trainees
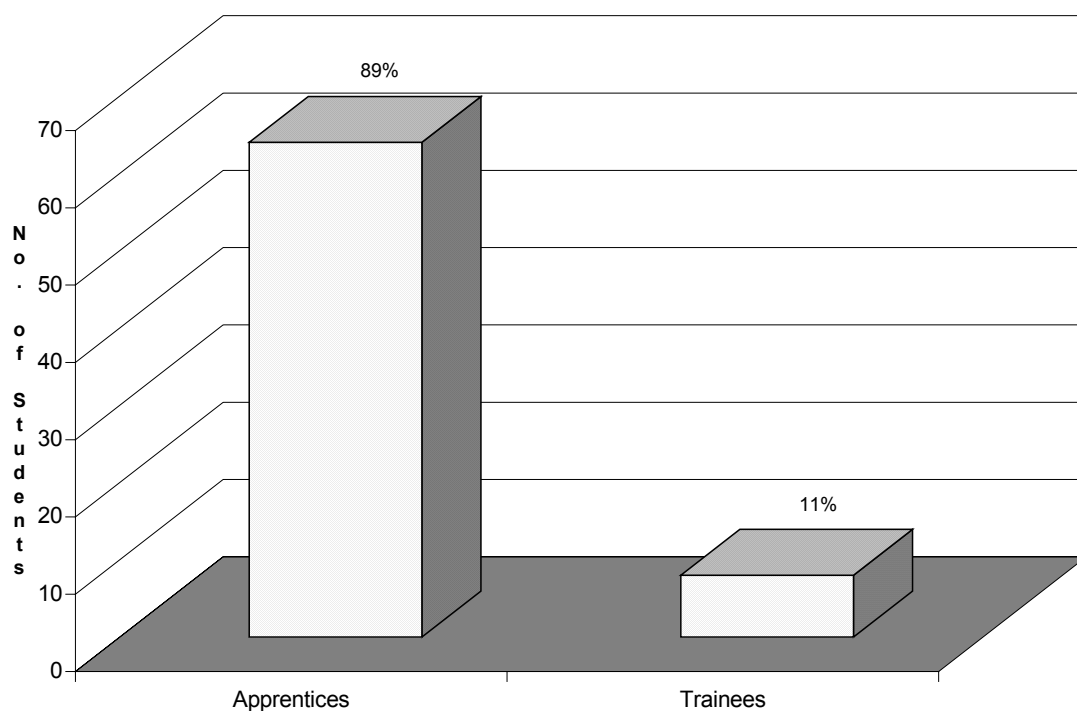
Strategies to cope with downtime

Two questions were asked about the strategies adopted by GTCs to cope with downtime. The first concerned the very short run, a few days, while the second concerned the longer run being several weeks.

For the first question, frequencies of responses for each strategy, regardless of whether they were used in isolation or in combination with other strategies, were calculated to investigate the relative importance of each strategy and the results are tabulated and presented in Table 11 below. A clear feature of this table is that the provision of additional training is by far the most common strategy, being reported by 72% of GTCs, regardless of whether this was used in isolation or in combination with other strategies.

It can be inferred from Table 12 that the great majority of GTCs have New Apprentices who cannot be placed with employers in the short run. This is consistent with the results of Misko (1997) whose study of downtime found that just over half of all GTCs in her sample of 43 GTCs had apprentices and trainees not in work.

Using some "other" strategy, (49% of GTCs), or offering the New Apprentice to a host employer for no/reduced cost, (47% of GTCs), were the next most frequent strategies used by GTCs, whilst standing down New Apprentices was reported by 35% of GTCs, with employment through labour hire activities being the least favoured strategy, being reported by only 16% of GTCs.

Table 12: Strategies used to cope with New Apprentices who cannot be placed with a host employer over a few days

Strategies used by GTCs	No	%*
Provide additional training	94	71.76*
Other	64	48.85*
Offer New Apprentice to host employer for no/reduced cost	61	46.56*
Stand down without pay	46	35.11*
Employed through general labour hire activities	21	16.03*

*This percentage refers to the number of GTCs reporting that strategy as one that was used regardless of other strategies reported by them – thus it is not meaningful to sum these percentages.

Respondents who ticked the "other" option were also requested to specify what the "other" strategy used by them was. These responses indicate two main "other" strategies. The first of these is requesting New Apprentices to use their annual or recreation leave, (33% of GTCs) and the second is the use of downtime with pay, as reported by 26%. Rotation of New Apprentices was reported by only 2 of the 64 GTCs, with the remainder using some "other" strategy specific to them (see Table 7, Appendix A).

Again, these results are consistent with the results in the Misko (1997) study. This study found that the principal strategies to cope with New Apprentice downtime were:

- discounting or fully subsidising charge-out rates;

- allowing apprentices or trainees to take the day off;

- engaging the apprentice or trainee in maintenance-type activities in or around group training buildings; and

- requiring apprentices to use annual leave or rostered days off.

If there was no alternative, remaining companies would have to opt for suspension until more work became available.

The combinations of strategies GTCs used were also analysed separately. Strategies reported by GTCs to cope with a New Apprentice who could not be placed with a host employer over a few days were diverse. A majority of 70 GTCs (54%) reported the use of a particular combination of strategies that was unique to them (Table 13).

Other prominent features of Table 13 involve GTCs combining strategies such as the provision of additional training and offering the New Apprentice to a host employer at reduced or no cost and some "other" strategy, reported by 32 (24%) GTCs. Secondly, the provision of additional training in isolation is reported by 15 (11%) GTCs. (For full details see Table 8, Appendix A)

Table 13: Combinations of strategies for short term downtime

Strategy	No.	%
All other unique combinations reported by GTCs	70	54
Provide additional training as well as offer the New Apprentice to a host employer for no/reduced cost	16	12
Provide additional training, offer the New Apprentice to a host employer for no/reduced cost and "other" strategy	16	12
Provide additional training only	15	11
"Other" strategy	14	10

The second question concerning downtime related to the longer term and again frequencies of responses for each strategy, regardless of whether they were undertaken in isolation or in combination with other activities, were calculated to investigate the relative importance of each one. The results are tabulated and presented in Table 14 below. They indicate that "other" activities and the suspension of contracts of employment were the two most frequent activities specified, (50% and 46% of GTCs respectively). Less frequently reported activities undertaken were standing down without pay, (30% of GTCs) and termination of contracts of employment (20% of GTCs).

It is clear that GTCs use a very wide range of strategies to cope with New Apprentices experiencing long term downtime. 45% of GTCs reported they would suspend the contract of employment, presumably involving a formal agreement by the State Training Authority relating to the training agreement, while another 30% state that they would stand down without pay (a less drastic option). Only 20%, or 1 in 5 GTCs, indicated they would terminate the contract of employment. 49% of GTCs identified some 'other' measure, none of which entailed termination of the employment contract.

It is clear from this data that a very great variety of measures are used to cope with New Apprentices who are effectively unemployed for up to several weeks and that the termination of the contract of employment has the lowest priority compared to other coping strategies.

Table 14: Strategies used to cope with New Apprentices who cannot be placed with a host employer over several weeks

Activity	No	%*
Other	65	49.62*
Suspend contract of employment	60	45.80*
Stand down without pay	39	29.77*
Terminate contract of employment	26	19.85*

*This percentage refers to the activity undertaken by GTCs in isolation, ie segregated from any other activities used in combination, as reported by GTCs – thus it is not meaningful to sum these percentages.

The most common responses for "other" activities reported by GTCs include additional training or attending college, (15% of GTCs), asking New Apprentices to take annual leave or rostered days off, (15% of GTCs), standing down with pay, (12%), employing New Apprentices internally, (9%), finding alternative work, (7%) and persevering to find a new host employer, (6%). The remainder indicated utilising a unique activity as tabled below (see Table 9, Appendix A).

When combinations of strategies used by GTCs to cope with New Apprentices who could not be placed with a host employer over several weeks were considered, it was found that the most common combinations came out of the "other" category. Such combinations of strategies included: continuing to seek an employer whilst using leave entitlements, provide additional training, stand down with pay, pay New Apprentices to look for employment, with 43 (33%) GTCs. An additional 26 (20%) GTCs reported they suspended the contract of training/employment. A further 16 (12%) GTCs indicated they stood down New Apprentices without pay, whilst 10 (8%) GTCs suspended the contract of training and some "other" activity. The remaining used unique combinations of the above in addition to other activities (For full details see Table 10, Appendix A).

3.8 Section F – New Apprentice Recruitment

Recruitment Sources

The recruitment of apprentices and the recruitment of trainees was each treated separately. Respondents were asked to rank a number of recruitment sources for apprentices and for trainees, using **1** as the most important source to **5** as the least important. The recruitment sources and their associated ranking are presented below in Tables 15 and 16. The two sources most frequently reported as being of most importance, ie sources ranked 1 and 2, were the same for apprentices and trainees, though the percentages differed.

For the apprentice intake, the two recruitment sources most frequently reported as being of most importance are: by application directly to the GTC, (55% of GTCs), and apprentice intake from schools, (49% of GTCs) (Table 16). 33% of GTCs reported employing apprentices out of trade as their first or second most important recruitment source, whilst 29% indicated a prevocational 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% of GTCs, whilst 42% ranked this source as 3rd to 5th with 36% indicating this source was not applicable to them, ie they did not have **any** recruitment sources **other** than those listed in the questionnaire.

The relatively large percentage of GTCs reporting pre-vocational courses as a recruitment source is interesting, as the Federal Government and many state governments have significantly reduced funding or withdrawn funding for pre-vocational training of the type operating in the 1980s. It is possible responses to this item reflect the fact that some GTCs operate a period of training for prospective New Apprentices prior to them being offered a permanent position with the GTC. This period of 'probationary' employment may be seen by GTCs as a form of pre-vocational training. In addition, the question may have been interpreted by some

GTCs as applying to school students who had undertaken vocational courses whilst at school.

Table 15: Recruitment source and associated rankings – apprentices

Recruitment Source	Ranking – *Number* of GTCs (%*)
Prevocational Courses	1-*30* (26%); 2-*4* (3%); 3-*20* (17%); 4-*44* (38%); 5-*15* (13%)
Employ out of trade	1-*24* (21%); 2-*14* (12%); 3-*31* (27%); 4-*32* (28%); 5-*9* (8%)
From Schools	1-*35* (30%); 2-*22* (19%); 3-*27* (23%); 4-*24* (21%); 5-*2* (2%)
Applies directly to GTC	1-*14* (12%); 2-*49* (43%); 3-*26* (23%); 4-*10* (9%); 5-*6* (5%)
Other	1-*6* (5%); 2-*18* (16%); 3-*4* (3%); 4-*3* (3%); 5-*41* (36%)

*Percentages are rounded to nearest whole integer

Turning to trainees, it was found that, 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 GTC, (64% of GTCs), and from schools, (38% of GTCs), (Table 17). However, only 13% ranked pre-vocational courses as their first or second most important recruitment source of trainees. Only 21% of GTCs ranked employing suspended trainees as their most or second most important recruitment source. 38% of GTCs ranked employing out of trade apprentices as their first or second most important source of recruitment.

Table 16: Recruitment source and associated rankings – trainees

Recruitment Source	Ranking – *Number* of GTCs (%*)
Prevocational Courses	1-*12* (10%); 2-*4* (3%); 3-*24* (20%); 4-*55* (46%); 5-*23* (19%)
Employ suspended trainees	1-*21* (18%); 2-*4* (3%); 3-*41* (34%); 4-*34* (28%); 5-*15* (13%)
From Schools	1-*32* (26%); 2-*15* (12%); 3-*29* (24%); 4-*21* (17%); 5-*11* (9%)
Applies directly to GTC	1-*31* (26%); 2-*46* (38%); 3-*13* (10%); 4-*5* (4%); 5-*5* (4%)
Other	1-*9* (7%); 2-*33* (27%); 3-*6* (5%); 4-*1* (1%); 5-*29* (24%)

*Percentages are rounded to nearest whole integer

Promotion of New Apprenticeships

All but one GTC responded to this item and their responses are tabulated alphabetically and presented in full detail in Table 11, Appendix A. While one GTC reported it did nothing to promote New Apprenticeships in its community, all other responses focused on some marketing strategy, depending on their location and budget. The majority of these included some form of advertising, which ranged from ads in the print media (eg, newspapers, trade journals and yellow pages) and in the electronic media (eg, TV, radio, cinema and websites), to ads on buses, GTC car fleets and word of mouth.

Other strategies reported by GTCs included attendances at trade, career and school expos and forums and club functions held by various organisations, as well as cold canvassing and delivering presentations to schools, potential host employers, RTOs, NACs and TAFE colleges. GTCs also indicated a range of personnel being involved

in the implementation of their strategies, which included their own Field Officers as well as specialist marketing and advertising consultants.

Screening procedures used in the selection of New Apprentices

Individual GTCs employ multiple screening procedures for prospective New Apprentices. Other studies of host employers have found that screening of prospective employees of host employers by GTCs is a major factor in the use of GTC New Apprentices by host employers (NSW BVET 2001). A study that focussed only on the construction industry found that close to one-third of construction businesses that hired apprentices through GTCs identified the ability to 'pick and choose the apprentice/trainee that best suits my firm' as a reason for using GTC services (DETYA 2001).

Frequencies of responses for each screening procedure, regardless of whether they were undertaken in isolation or in combination with others, were calculated to investigate the relative importance of each screening procedure. The results are presented in Table 17 below. All but one GTC responded to this item.

The three most frequently reported screening procedures were: the personal interview, (98%of GTCs), use of school results to screen applicants, (86% of GTCs) and giving applicants a literacy/numeracy test, (71%). Screening procedures such as administering a practical test to applicants, examining an applicant's example of practical work and talking to an applicant's parents were less frequently reported with 45%, 35% and 33% of GTCs respectively. The least frequently reported screening procedure was administering a psychological test to applicants, reported by 15% of GTCs.

Table 17: Screening procedures used by GTCs

Screening Procedure Used	No	%*
Personal interview	128	98.46*
Use school results	112	86.15*
Give applicant a literacy/numeracy test	92	70.77*
Give applicant a practical test	58	44.62*
Ask applicant to bring in any relevant practical work	45	34.62*
Talk to parents of applicant	43	33.08*
Give applicant a medical test	39	30.00*
Other	31	23.85*
Give applicant a psychological test	19	14.62*

*This percentage refers to the number of GTCs reporting that screening procedure as one they used regardless of other procedures reported – thus it is not meaningful to sum these percentages.

Where relevant, respondents were requested to specify what they meant by "other" screening procedures used and these responses are tabulated in Table 12, Appendix A. They indicate a variety of procedures and include: the administration of a test (eg, alcohol and drug test, general knowledge, aptitude or vocational test and medical tests), checking the personal history of the applicant (eg, referee and police checks) and talking to previous employers and support networks. One GTC reported it trialed

applicants through the use of work experience and placements, whilst another reported using TAFE as opposed to school results to screen applicants.

When combinations of New Apprentice screening procedures were considered it was found that these varied considerably with 80% of GTCs indicating a unique combination of the strategies listed in the questionnaire. However the four most common combinations of strategies were:-

i)   using school results, personal interviews and giving applicants a literacy/numeracy test, (6% of GTCs);

ii)   using school results, personal interviews, giving applicant a practical test as well as a literacy/numeracy test, (5% of GTCs);

iii)   using school results, personal interviews, talk to parents of applicant, giving applicant a practical test as well as a literacy/numeracy test, (4% of GTCs);

iv)   using school results, personal interviews, talk to parents of applicant, ask applicant to bring in relevant practical work, giving applicant a practical test as well as a literacy/numeracy test, (4% of GTCs).

The remainder reported combinations unique to them (For full details see Table 13, Appendix A).

3.9 Section G – Non-Completion of Training

When GTCs were asked about reasons for New Apprentice non-completion, a broad range of factors were identified (Table 18). New Apprentices deciding they were unsuited to the industry or job was the most common reason for non-completion, and was reported by 69% of GTCs. New Apprentices finding employment elsewhere or moving out of the region were the next most common reasons for non-completion, reported by 52% and 48% of GTCs respectively.

Inadequate performance in off or on the job training, and substandard quality of work or attendance at the workplace were the next most commonly reported reasons for non-completion of training contracts, with 43% and 41% of GTCs respectively. Poor interpersonal relationships between New Apprentices and staff, or with other students at the GTC, were the least common reasons for non-completion, being reported by only 8%. 4% of GTCs could not give a reason for their New Apprentices not completing their training contracts.

Of considerable interest is the large proportion of GTCs reporting that the New Apprentice 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 that some host employers use GTC New Apprentices as a recruitment mechanism, given that firstly, the GTCs put prospective New Apprentices through multiple screening procedures (as indicated by Table 17) and secondly, the host employer can engage multiple GTC New Apprentices to find persons who have the qualities they seek.

These results are also consistent with a recent study of non-completion of contracts of training amongst apprentices and trainees (Cully and Curtain 2001). This was a

national survey of apprentices and trainees, and of employers of apprentices and trainees, to determine the causes of non-completion. For those New Apprentices who had not completed their training the survey was 'able to identify any ongoing participation in education and training among apprentices and trainees. The most dramatic finding was that 44% of apprentices [who had left their original employer] were not, strictly speaking, non-completers- that is, they had gone on to recommence their apprenticeship with a different employer. This was the case for only 11% of trainees" (Cully and Curtain 2001).

Table 18: Reasons reported by GTCs for non-completion of training contracts by New Apprentices

Reason Reported by GTC	No	%*
New apprentice decided he/she was not suited to the industry/job	90	69.23*
Found employment elsewhere	68	52.31*
New Apprentices moved out of region	62	47.69*
Inadequate performance in off or on the job training	56	43.08*
Work/attendance of New Apprentices not up to standard required by host employers	53	40.77*
Transferred their contract of training to a host employer	48	36.92*
Work/attendance of New Apprentices not up to standard required by GT service	39	30.00*
Transferred their contract of training to a non-host employer	29	22.31*
New Apprentices resigned to undertake higher level education/training	24	18.46*
Other	20	15.38*
New Apprentices just didn't get on with staff/other students at GT service	10	7.69*
Not known	5	3.85*

*This percentage refers to the number of GTCs reporting that reason as one relevant to non-completion of training contracts by their New Apprentices regardless of other reasons reported – thus it is not meaningful to sum these percentages.

Where applicable, respondents were requested to specify any "other" reason why their New Apprentices did not complete their training contracts, their responses are tabulated in Table 14, Appendix A. They include: adverse personal circumstances such as problems associated with family or personal health and finance; economic reasons such as business slumps, inadequate wage, better employment opportunities being sought; lack of or poor motivation of New Apprentices and undertaking further study or joining the defence forces.

Responses to this item were also analysed by the combinations reported by GTCs. The main reasons reported by GTCs for New Apprentices failing to complete their contracts of training were also widely varied with 59% of GTCs indicating a combination of those reasons listed in the questionnaire that was unique to them.

The three most common combination of reasons included:-

i)   Work/attendance of New Apprentices not up to standard required by host employers, work/attendance of New Apprentices not up to standard required by GT service, inadequate performance in off or on the job training, and New apprentice decided he/she was not suited to the industry/job, (4% of GTCs);

ii)   Found employment elsewhere, New apprentice decided he/she was not suited to the industry/job, and New Apprentices moved out of region, (4%);

iii)   Found employment elsewhere, (3%).

The remainder reported unique combinations (For full details see Table 15, Appendix A).

3.10 Section H – Employee Welfare

Learning Difficulties

GTCs were asked what percentage of New Apprentices received assistance with learning difficulties over 2000-2001. Of the 125 GTCs that responded to this item, 72% reported some of their New Apprentices received assistance with learning difficulties over that period. On average, 8% of New Apprentices received assistance. However, the distribution is skewed, due to 2 GTCs reporting that 95% of their New Apprentices received assistance. These GTCs reported that the New Apprentices either had English as a second language or had considerable difficulties with maths. One of these GTCs reported that the learning difficulties did not last the whole duration of the New Apprenticeship. A more robust measure for this distribution is the median value of 2% (Figure 15). Excluding the 2 outliers, around 2% of New Apprentices received assistance with learning difficulties over 2000-2001.

Figure 15: Number of GTCs Reporting Percentage of New Apprentices that Received Assistance with Learning Difficulties
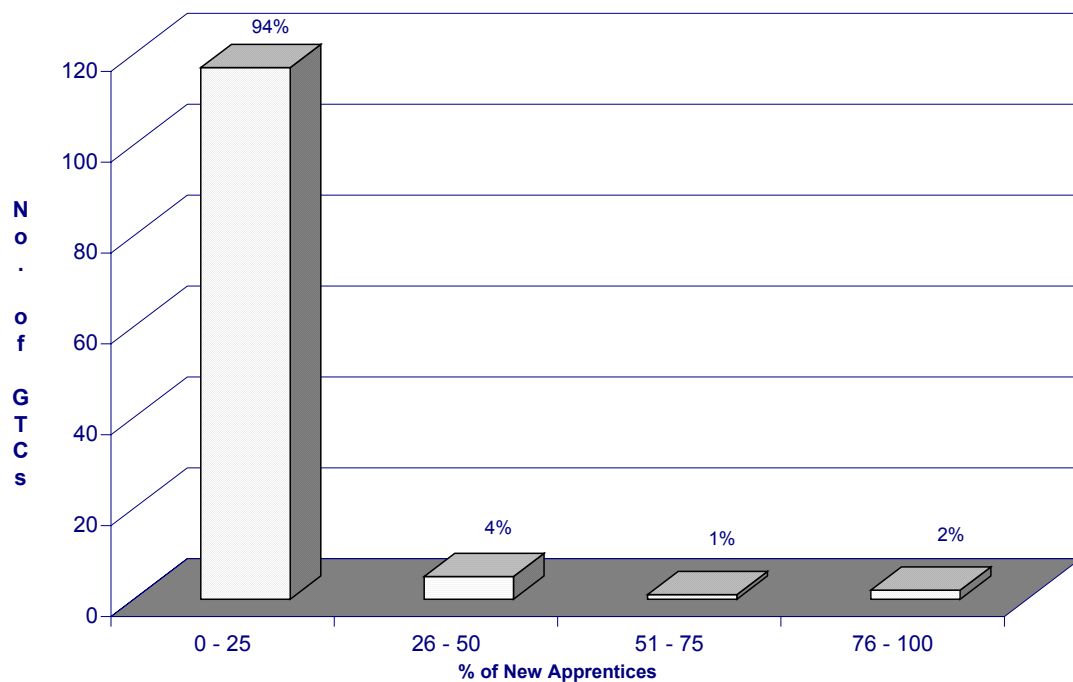
When asked what the main learning difficulties were, a large majority of GTCs reported numeracy (86%) and literacy (84%) as the main types of difficulties experienced by their New Apprentices, whilst the incidence of learning difficulties associated with theoretical aspects of job-related training (48%) was also significant (Table 19). On the other hand, learning difficulties associated with practical hand or machine skills or "other" learning difficulties were the least frequently reported (10% for both of these categories).

Table 19: Learning difficulties experienced by New Apprentices

Learning Difficulty	No	%
Numeracy	80	86.02*
Literacy	78	83.87*
Theoretical aspects of training for the job	45	48.39*
Practical hand or machine skills	9	9.68*
Other	9	9.68*

*This percentage refers to the number of GTCs reporting that learning difficulty as one experienced by their New Apprentices regardless of other difficulties reported – thus it is not meaningful to sum these percentages.

Where relevant, respondents were also asked to specify any "other" learning difficulties their New Apprentices experienced. Their responses focus on learning difficulties that are motivational in nature; such as poor attendance and concentration, lack of application and tardiness and poor work ethic; as well as psychosocial phenomenon such as dyslexia (Table 16, Appendix A).

Combinations of learning difficulties reported by GTCs were also analysed separately. The main learning difficulties experienced by New Apprentices and reported by almost 80% of GTCs were literacy, numeracy and theoretical aspects of training for the job. Specifically:-

i)   44% of GTCs indicated literacy **and** numeracy were the main learning difficulties;

ii)   25% of GTCs indicated literacy, numeracy **and** theoretical aspects of training for the job were the main learning difficulties;

iii)   5% of GTCs indicated numeracy **and** theoretical aspects of training for the job were the main learning difficulties; and

iv)   5% of GTCs indicated theoretical aspects of training for the job were the main learning difficulties.

The remainder reported unique combinations (For full details see Table 17, Appendix A).

Difficulties New Apprentices have with their host employers.

94% of GTCs reported some difficulties between their New Apprentices and Host Employers. Poor work performance by New Apprentices was reported by 67% of GTCs, poor attendance (59%) and poor personal relations (55%) were the most

frequently reported difficulties (Table 20). Also important, inadequate supervision from the host employer was reported by 36% of GTCs, with "other" difficulties reported by 19%.

Table 20: Difficulties New Apprentices have with host employers

Type of Difficulty	No	%*
Host employer reports poor work performance	87	66.92*
Host employer reports poor attendance	76	58.46*
Poor personal relations between host employer and New Apprentice	72	55.38*
Inadequate supervision/instruction from the host employer	47	36.15*
Other	25	19.23*
Have no difficulties with host employer	8	6.15*

*This percentage refers to the number of GTCs reporting that difficulty for their New Apprentices with host employers regardless of other difficulties reported – thus it is not meaningful to sum these percentages.

Despite the fact that less than 20% of GTCs reported "other" difficulties, there are several common themes arising from comments specifying what the "other" difficulties were (see Table 18, Appendix A). The first of these reflect the poor motivational level of students (eg, "bullying, stealing, poor communication/failure to follow instructions, harassment, attitude/behavioural problems, poor attendance"). The second encompasses a range of unrealistic expectations, not only of students, but also of host employers.

Combinations of difficulties reported by GTCs were analysed separately. Almost 50% of GTCs reported that the typical difficulties New Apprentices have with their host employers fall into four major areas. The remainder indicated combinations of the difficulties listed in the questionnaire that are unique to them.

The most common combinations of difficulties reported were:-

i)   host employer reports poor attendance by New Apprentice, host employer reports poor work performance by the New Apprentice, poor personal relations between host employer and New Apprentice, (14% GTCs);

ii)   host employer reports poor attendance by New Apprentice, host employer reports poor work performance by the New Apprentice, inadequate supervision/instruction from the host employer, poor personal relations between host employer and New Apprentice, (12%);

iii)   host employer reports poor attendance by New Apprentice, host employer reports poor work performance by the New Apprentice, (11%); and

iv)   host employer reports poor work performance by the New Apprentice, and poor personal relations between host employer and New Apprentice, (9%).

The remainder reported combinations unique to them (For full details see Table 19, Appendix A).

In order to get some idea of the extent of this problem GTCs were asked what percentage of New Apprentices were having difficulties with host employers over

2000-2001. It was reported that, on average during 2000-2001, 12% of New Apprentices experienced the difficulties stated above, however, the median value of 10% is a more reliable figure as the distribution is skewed, or biased, towards one large value of 70% reported by one GTC (Figure 16). Excluding the outlier, around 10% of New Apprentices had difficulties with host employers over 2000-2001.

Figure 16: Percentage of New Apprentices Having Difficulties with Host Employers
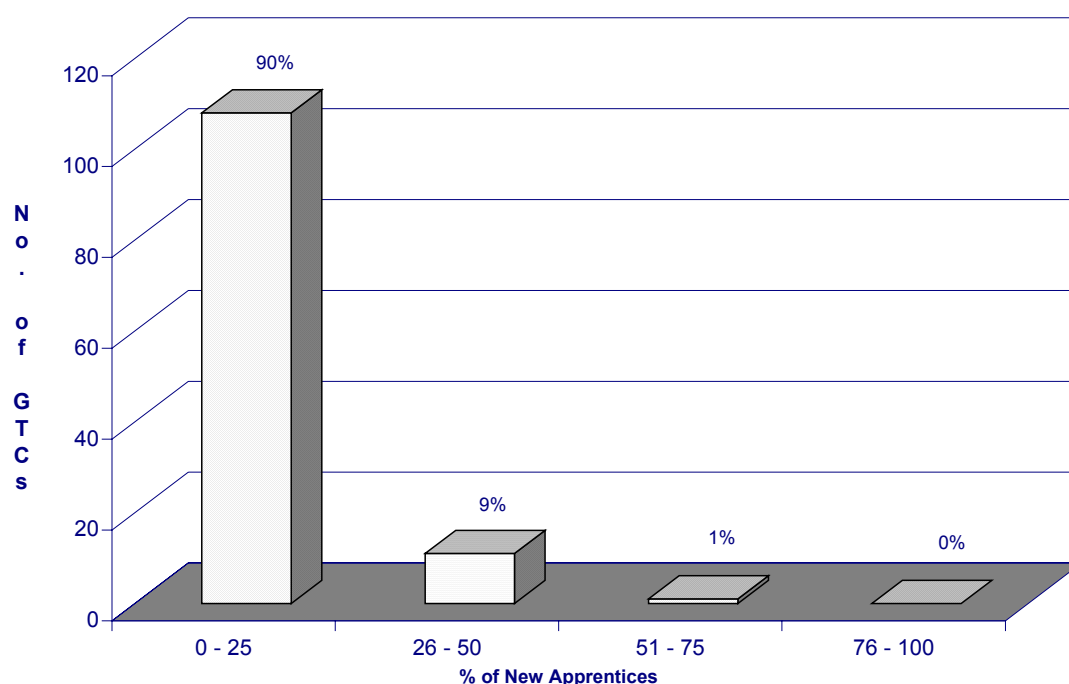
When asked about resolution of difficulties between New Apprentices and host employers, all of the 123 GTCs that responded to this item specified undertaking some form of counselling. In some cases this was solely with New Apprentices, whilst in other cases counselling was provided to New Apprentices and host employers (For full details see Table 20, Appendix A). All GTCs responding to this item have some strategy in place and whilst most provided relatively detailed information (such as the number and type of activities, including a description of the stages of implementation), some only provided single word or single phrase descriptions of activities.

A major theme recurring in responses to this item involved the use of several activities in combination to resolve these difficulties. This was reflected in the large number of respondents reporting the use of "consultation", "counselling", "mediation," "negotiation" and "conciliation and arbitration", in addition to rotation, transferring New Apprentices to another location, site visits by the GTCs' field officers, conflict resolution and reviewing and changing expectations of New Apprentices and host employers alike to more realistic levels. Personnel used by GTCs in activities aimed at resolving difficulties included their own Field Officers as well as private consultants such as Psychologists.

Treatment of New Apprentices' Personal Difficulties

It was found that external counselling for New Apprentices having personal difficulties is provided by 70% of GTCs.

Host employer compliance with OH&S

It was reported that host employer compliance with OH&S is a problem for a minority, but a significant minority of GTCs, with 38% reporting OH&S problems. OH&S is clearly an important policy and operational issue for GTCs. The management of these issues is made more difficult by the fact that as the 'employer' of the New Apprentice they are responsible for OH&S matters for the New Apprentice, though they cannot directly control the OH&S environment of the host employers in which their New Apprentices work.

All 49 GTCs reporting there was a problem with host employer compliance with OH&S responded to this item. GTCs reported various activities they undertake to improve host employer compliance and their responses are alphabetically tabulated, in full detail, in Table 21 Appendix A. The majority (72%) of responses provide detailed and relatively comprehensive information, the remainder providing single word or single phrase descriptions.

All GTCs reported offering training in OH&S, support to the host employer and New Apprentice in addition to a safety assessment of the workplace. **All** GTCs indicated a follow-up of some form with the host employer upon completion of a site audit. Follow-up ranged from offering a supportive role, in most cases with training and information as needed, to transferring the New Apprentice to another host employer.

Additional activities reported by the 12% of GTCs that indicated undertaking more than two distinct activities, include referral to a specialist; eg, industry specific representatives, Workcover and OH&S consultants; hosting OH&S workshops; running risk reduction programmes and employment of dedicated OH&S officer or manager.

Career Guidance

Only 5% of GTCs reported that they did not supply career guidance or did not respond to this item. Thus 94% of GTCs offer New Apprentices career guidance and their responses are alphabetically tabulated in full detail in Table 22, Appendix A. **All** GTCs that do offer career guidance do so for the duration of a New Apprentice's training, though some at more regular intervals than others.

Of the 7 GTCs that did not supply career guidance, 1 GTC indicated it did not offer career guidance because it was only recently established and is planning to provide this service in the future. Another qualified its response by stating that although it didn't offer career guidance, it does offer trade specific information to its New Apprentices. In addition, two GTCs offered a limited budget or the lack of any financial return as a reason for not providing career guidance while the remainder stated that although there was no separate career guidance component as such, they did offer advice specific to, or during, the course of the apprenticeship or traineeship.

Activities associated with the provision of career guidance varied across GTCs, but some of the more common ones included; induction sessions; personal mentoring (by a range of personnel such as staff from the GTC; RTO and NSW Department of Education and Training); occupation specific information sessions and literature; counselling; periodic assessment; skill audits; pastoral care visitation programmes; aptitude tests; job placement programmes; and mapping career pathways.

PART B: Analysis of Relationships Between Key Variables

3.11 Introduction

Additional analysis of the data was undertaken to investigate a number of possible relationships between some of the key variables in the survey. These relationships were suggested by the literature review and GT industry bodies as well as results from the descriptive analysis.

Three independent variables were selected:-
- i)   the age category of the GTC, ie those GTCs established up to 1990 and those established after and including 1991;
- ii)   whether the GTC received Joint Policy Funds; and
- iii)   the size* of the GTC, defined by the total number of New Apprentices.
- * The size of a GTC was classified into:-
- i)   Category 1 – Small = 0-100 New Apprentices;
- ii)   Category 2 – Medium = 101-300 New Apprentices; and
- iii)   Category 3 – Large = 301+ New Apprentices.

The dependent variables were defined to be:-
- i)   Item A7, the operation of additional business activities (eg, NAC, RTO, etc);
- ii)   Item E1, the number of host employers serviced by GTCs;
- iii)   Item E3, the firm size of host employers;
- iv)   Item E4, use of rotation policy;
- v)   Item F1, recruitment sources for apprentices;
- vi)   Item H6, GTC provides access to external counselling;
- vii)   Item H7, employer compliance with OH&S; and
- viii)   Student to staff ratio of GTCs (This dependent variable was constructed from responses to other questions. Specifically, dividing total New Apprentices by the number of full time staff reported by the GTC).

Details of the tests applied in the statistical analysis are provided in Appendix E.

3.12 Analysis of Relationships Between Age of GTCs, Receipt of JPF and Size of GTCs

As discussed in Chapter 1, it was found that the older GTCs (established before 1991) tended to be larger and were more likely to be in receipt of JPF. Thus results indicate a statistically significant difference between old and young GTCs with respect to the average number of New Apprentices employed. On average, GTCs established between 1970 and 1990 have **360** New Apprentices employed, whereas GTCs established between 1991 and 2001 have **130** New Apprentices employed (Tables 3-7, Appendix E).

Then there is a significant association between the age of a GTC and receipt of Joint Policy Funds, with 65 (**92%**) GTCs established before 1991 receiving JPF compared to 20 (**43%**) GTCs established on or after 1991 (Table 1, Appendix E).

Finally, a statistically significant difference in the average size of GTCs with receipt of JPF was also found. The average size of GTCs receiving JPF is larger (**320**) than that of GTCs not receiving JPF (**140**) (Tables 8-11, Appendix E). These results suggest that it is the larger GTCs that were established prior to 1991 and are more likely to be receiving JP funds.

3.13 Analysis of Age – Pre 1991 versus Post 1991

A statistically significant association was found between the age of a GTC and the type of additional activity it operates. Older GTCs, compared to their younger counterparts, were more likely to operate a NAC, **26%** as against **23%**, "other" or combinations of activities listed, **37%** as against **26%**, in addition to the provision of core services. Younger GTCs, compared to their older counterparts, were more likely to operate an RTO, **28%** as against **21%**, JNP **13%** as against **4%** and general labour hire **11%** as against **3%** (Tables 1 and 2, Appendix B).

A statistically significant association between the age of a GTC and having a policy of rotation in place was found. Older GTCs were more likely to have a policy of rotation in place, with **76.1%** of GTCs compared to **44.7%** of younger GTCs (Tables 18 and 19, Appendix B). A significant association was also found between the age of a GTC and the ranking given to "other" recruitment sources. Older GTCs (**41%**) were more likely to use "other" recruitment sources than younger (**20%**) GTCs, although both age groups ranked this option below alternative recruitment sources listed (Tables 28 and 29, Appendix B).

A statistically significant association was also found between the age of a GTC and the provision of external counselling to New Apprentices, with **84.29%** of older GTCs, providing access to external counselling, compared to **55.32%** of younger GTCs. This result is to be expected as older, and as it will be shown later, on average larger GTCs, provide a broader range of services than do smaller GTCs (Tables 30 and 31, Appendix A).

Differences between older and younger GTCs with respect to the number of host employers they service and student to staff ratios were also investigated, with results tabulated in Appendix B (Tables 3-7 and 34-38). A statistically significant difference was found in the average number of host employers between the two groups, with older GTCs servicing more host employers on average (**235**), compared to younger GTCs (**90**). Again, this reflects the size differences between older and younger GTCs.

There was also a statistically significant difference found in the average student to staff ratios between the two age categories, with older GTCs having a larger ratio (**26:1**), compared to younger GTCs (**21:1**) (Tables 34-38, Appendix B).

Finally it must be appreciated that the older GTCs tend to be larger and, in respect of causation, size rather than age may be the critical variable.

3.14 Analysis of Joint Policy Funds

Tables 1-38, Appendix C, tabulate results of possible associations between receipt of Joint Policy Funds (JPF) and the variables listed. The first significant result suggests the majority of GTCs (**55%**) receiving JPF service small host employers (ie, 1-5 employees), compared to 22 (**17%**) GTCs that don't receive JPF (Tables 8 and 9, Appendix B). This is not to say GTCs receiving JPF only service smaller host employers; just that they have a higher propensity for doing so compared to GTCs not in receipt of JPF.

There was a significant association found between receiving JPF and the ranking associated with recruitment from schools, results indicating that recruitment from schools is more important for GTCs that do not receive JPF (**65%**) than GTCs that receive JPF (**47%**) (Tables 24-25, Appendix C). A similar difference was found to be statistically significant with respect to "other" recruitment sources with more GTCs that receive JPF (**37%**) ranking "other" recruitment as important compared to GTCs that do not receive JPF (**20%**) (Tables 28 and 29, Appendix C).

A significant association was also found between receipt of JPF and provision of access to external counselling, with **79%** of GTCs receiving JPF providing this service, compared to **58%** of GTCs that provide this service but don't receive JPF.

The association between receipt of JPF and provision of external counselling is due, in part, to the fact that GTCs in receipt of JPF tend to be larger than those not in receipt of JPF. Other data indicates an association between larger size of GTC and a propensity to provide external counselling.

Differences between GTCs receiving JPF with respect to the number of host employers and student to staff ratios were also investigated, with results tabulated in Table 3, Appendix C. A statistically significant difference was found in the average number of host employers between the two groups. Those in receipt of JPF service on average **199** Host Employers, compared to **124** Host Employers for those not in receipt of JPF. Again this reflects the fact that GTCs receiving JPF are on average larger than GTCs that do not.

3.15 Analysis of GTC Size

Results of possible associations between the size of a GTC and the list of variables as defined above are presented in Appendix D. Results indicate a significant association between the size of a GTC and host employer's firm sizes of 21-50 employees, 51-100 employees and more than 100 employees. Specifically, the larger GTCs tend to service employers in the largest firm size categories (Tables 9-14, Appendix D).

A significant association was found between the size of a GTC and having a policy of rotation, with **42%** of small GTCs, **78%** of medium GTCs and **71%** of large GTCs reporting they have a policy of rotation (Tables 15-16, Appendix D). This result suggests that the larger the GTCs is, the more likely it is to have a policy of rotation.

This result could be explained, at least in part, by the fact that larger GTCs have greater scope for rotation of apprentices as they service, on average, a larger number of host employers than smaller GTCs.

There was also a significant association found between the size of a GTC and providing access to external counselling, results suggesting that it is the larger GTCs that provide this access, with **23%** of small, **75%** of medium and **88%** of large GTCs reporting they provide access to external counselling (Tables 27-28, Appendix D).

A significant association was also found between the size of a GTC and host employer compliance with OH&S. Results suggesting that it is the larger GTCs that the problem is confined to as **17%** of small, **52%** of medium and **45%** of large GTCs reported host employer compliance with OH&S as a problem (Tables 29-30, Appendix D). This is a difficult result to interpret. It could plausibly be that either large GTCs service industries which have more OH&S problems than the industries serviced by smaller GTCs, or it could be that larger GTCs devote more resources to (or are more aware of) host employer OH&S compliance.

Differences between the size of a GTC with respect to the number of host employers and student to staff ratios were also investigated. Significant results suggest that the larger the GTC, the greater the number of host employers it services, on average, compared to smaller GTCs (Tables 3-4, Appendix D). Similarly, the larger the GTC, the larger is the student to staff ratio it reported (Tables 31-32 Appendix D).

Chapter 4: Conclusion

This study has sought to fill a significant knowledge gap by providing a systematic description and analysis of the structure and function of Group Training (GT) in Australia. GT is a uniquely Australian innovation designed to address a variety of impediments to the direct employment of New Apprentices by employers. Analysis of these impediments, and the survey results, do not support the argument that the significant growth of GT is largely due to the substitution of New Apprentices directly employed by an enterprise for those employed by GTCs. It is concluded that the growth of GT's share of New Apprentices is not largely due to substitution based on simple 'cost shifting' from private businesses to GT and/or the public purse. Furthermore, it is concluded that if the barriers to the direct employment of New Apprentices intensify, the VET sector will become even reliant on GT. It follows therefore that developing policies which promote the growth of GT and ensure quality training outcomes for their New Apprentices assumes even more importance than in the past.

On the basis of the survey results, GT emerges as highly responsive and adaptive to its operating environment. This is indicated, for example, by the fact that all GTCs undertake a range of additional commercial activities related to their core GT function such as, operating Registered Training Organisations and New Apprenticeship Centres or acting as a Job Network Provider and a general labour hire provider. It is only in the relatively recent past that many of these commercial activities have become available to GTCs. These activities are complementary to the core GT function as they are clearly based on existing expertise with respect to labour market and training matters. Some commentators have raised the possibility of conflict of interest for organisations employing New Apprentices and providing a range of services such as training, that have been contracted out by government. A tentative conclusion from the survey results was that in the delivery of off-the-job training, at least, conflict of interest seems not to be a major problem.

In addition, GTCs have grasped the opportunities available as the result of the introduction of Traineeships and the New Apprenticeship scheme. This has seen GTCs dramatically alter the scope of their employment from almost exclusively traditional trades apprentices to a wide range of trainees across all occupations and industries. For example, in 1995, 74% of all GTC completions were traditional trades, by 2000 this had declined by close to half to 35% (NCVER 2001b:45). The responsive and adaptive nature of GT is also indicated by the great variety in the size of GTCs, the range of New Apprentices employed and by the diversity of host employers and industries serviced. Some GTCs have over 1000 New Apprentices on their books at any one time, while other GTCs, who are just commencing their service, have only a few New Apprentices. Some GTCs operate from multiple sites across several state borders and service over 1000 host employers, while others operate in a single small regional centre servicing just a few host employers. Some GTCs employ New Apprentices across a very broad range of occupations, including both apprentices and trainees, and service a very wide range of industries. Others are more specialised, employing only a few different types of occupation, and may

concentrate on servicing only one or two different industries. This great variety in the size and scope of GTCs, as documented in the survey results, suggests that policy makers should be mindful of these differences and may need to adjust program and financial policies to the variety of these circumstances.

The study found that there are a number of significant differences between the type of New Apprentices employed by GTCs and the total population of New Apprentices across Australia. For example, there is a much higher proportion of traditional trade apprentices in GTCs and a lower share of female New Apprentices. These occupational, industry and gender differences reflect both an historical legacy, as GT was originally established to service trade apprentices and differences in the economics of training across different industries. The structure and performance of some industries results in a comparatively lower need for, and use of, GT services, whereas other industries are increasingly reliant on GT. These differences, in turn, are the result of variation in the intensity of impediments and difficulties employers face in the direct employment of New Apprentices. Demands that the occupational, industry and other characteristics of GT New Apprentices match that of the total population of New Apprentices in Australia, must be critically evaluated. Those claiming that gaps between the proportions of New Apprentices in GT and those in the general population of New Apprentices indicate some kind of failure on the part of GT, should give more weight to the differences in the economics of training across different industries and occupations, and the consequent differences in the level of demand for GT services.

The age profile of GTCs and data on the growh of new GTCs suggests that there are 'few barriers to entry' in the provision of GTC services. This is consistent with a competitive market structure for these services. It was also found that there are very marked differences across the age structure of GTCs in some of their key features. Older GTCs were significantly larger than younger GTCs in terms of their employment size; operated a different range of 'non-core' activities and were far more likely to receive JPF. The latter feature deserves further research.

To date there has been a dearth of information on the range of support services, in addition to the core employment function, offered by GTCs to their New Apprentices. The survey results indicated that not only do GTCs provide a comprehensive range of services in addition to the core employment and labor hire function, but that almost all GTCs provide this broad suite of services. These are important results, as it is the first time such a comprehensive and reliable database has been collected on this topic. For example, the large majority of GTCs: operate a policy of rotation for the purpose of exposing New Apprentices to a broad range of work experience; have practices to manage New Apprentice 'downtime' over the short–run and long-run; use comprehensive screening methods for the recruitment of suitable New Apprentices; provide assistance with New Apprentices having learning difficulties; and have practices to manage disputes between New Apprentices and host employers. It is, of course, difficult on the basis of these survey results to delve into the actual implementation of these policies and practices, but it seems likely they contribute to the comparatively high completion rate for GT New Apprentices.

It was found that there was perhaps some room for improvement in New Apprentice selection, given the high proportion of GTCs reporting as a reason for non-completion, the New Apprentice finding they were unsuited to the job. Perhaps GTCs

could better inform New Apprentices as to the type of work, the wages and employment conditions of their New Apprenticeship. An expansion of pre-vocational courses conducted in house or elsewhere, as a feeder mechanism for employment in GTCs, could be warranted as a means of exposing prospective New Apprentices to the type and conditions of work they can expect. Further research is also warranted on the extent to which those GTC New Apprentices who transfer their contract of training to a host employer should be recorded as 'non-completers' for the GTC.

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