



# The Coalition's Policy for Better Support of Australian Apprentices

August 2013

## Key Points

The Coalition will provide better support for Australia's apprentices.

Australia's future productivity and competitiveness depend on a skilled and trained workforce.

We will provide more financial assistance to apprentices by establishing interest free "Trade Support Loans" of up to \$20,000 over four years to help an apprentice with everyday costs during an apprenticeship.

Trade Support Loans will be repayable at the same income thresholds as FEE-HELP loans for university student, currently set at \$51,309, so apprentices do not have to repay any money until they are earning a sustainable income.

Apprentices who successfully complete their apprenticeships will receive an immediate 20 per cent discount on their Trade Support Loans. This discount will help boost apprenticeship completion rates that have dropped to lows of 48%.

This loan scheme will provide real support for current apprentices to complete their skills training and it will provide a stronger incentive for young Australians to become apprentices.

Future productivity and competitiveness depends on a skilled and trained workforce.

Learning a trade skill is invaluable to the individual, the community and the economy. But whether it's becoming a plumber, a doctor, a lawyer or a welder there's no avoiding the fact that learning a skill is expensive.

Existing financial assistance schemes for apprentices provide some assistance but eligibility requirements mean some miss out.

Australia urgently needs more apprentices.

The skills developed and nurtured within an apprenticeship become the essential and highly valued trade, technical and business skills that underpin a large segment of the Australian economy. We need more young people to take up a trade career to ensure future growth and jobs.

The Coalition will provide real financial assistance for apprentices.

By doing so, we will ensure Australia has a workforce that is highly skilled, highly trained and capable of filling the diverse and changing needs of a modern Australian economy.



## Introduction

Australia needs a productive workforce so we can respond to our changing economic and labour market needs. Our economy, and the industries that underpin it, are evolving and our workforce needs to be equally adaptable.

More than 1.2 million Australian workers are engaged in the technical and trades sectors. Even so, the unfortunate reality is that Australia has an acute shortage of skilled workers.

Traditional trades and engineering, for example, are two areas where there is a high unmet demand for workers. There is a clear and acute skills shortage in both traditional trades and engineering.

Australia's skills shortage is set to become worse.

Fewer and fewer apprentices are actually completing an apprenticeship once they start.

Completion rates are now less than half, at 48 per cent. This is a significant economic cost, given the time and resources provided for both on-the-job and off-the-job training.

Despite promising employment prospects and earnings potential, many young people find the first few years of an apprenticeship financially difficult. Some argue that higher wages are the answer but the concern is that this will drive up employment costs and reduce apprentice numbers even further.

We must address the acute and growing skills shortage without imposing further burdens on employers.

Future productivity and competitiveness depend on a skilled and trained workforce.

The Coalition believes that a career in the trades should once again be a first class choice for young people. Many business people started in a trade and there is evidence that wages for trade occupations are some of the fastest growing in Australia.

We will work to boost apprentice numbers to address the skills shortage. We will do so by providing better financial support for apprentices during their training. This support will encourage more young people into a trade career and help them stay there to improve retention and completion rates.

Better support for apprentices will ultimately lead to a more productive and competitive economy that is capable of delivering stronger real wage growth and job creation.



# The Plan

## 1. Better Support for Apprentices and Trainees

The Coalition will provide better support for apprentices through the creation of “Trade Support Loans.”

Our Trade Support Loans will provide financial support for an apprentice worth up to \$20,000 over the life of their training.

These loans will help to relieve the financial difficulties that young apprentices face, especially during the early years of their apprenticeship, and help them to focus on completing a formal trade qualification.

### *Incentives to boost completion rates*

To increase completion rates and encourage those who start an apprenticeship to finish it, the amount of a Trade Support Loan to be repaid will be reduced by 20 per cent for an apprentice who successfully completes their trade.

For example, if an apprentice takes out a \$10,000 Trade Support Loan while undergoing a plumbing apprenticeship, they will only pay back \$8,000 if they complete the training and then only once they hit the payback income threshold of \$51,309.

Those who do not complete their apprenticeship but receive a loan will still be required to repay it just like FEE-HELP loans for university students.

### *Support when it is most needed*

Our Trade Support Loans will provide valuable help to assist apprentices with the day to day expenses associated with living, learning and completing an apprenticeship.

The loans will be spread over the four years of an apprenticeship, diminishing as wages increase so that maximum support is provided in the initial years when most needed.

Trade Support Loans will be capped at \$20,000 in total per individual.



This capped amount of \$20,000 will be split into yearly amounts paid quarterly in arrears as follows:

1st year:	\$8,000 (4 x \$2000)
2nd year:	\$6,000 (4 x \$1500)
3rd year:	\$4,000 (4 x \$1000)
4th year:	\$2,000 (4 x \$500)

Eligibility is contingent upon remaining an apprentice – if they leave the apprenticeship they are not eligible for further loan instalments, which will stop.

Trade Support Loans will be available from 1 July 2014. Current apprentices will be eligible to apply for loan amounts corresponding to their year of training (as detailed above).

The Coalition's Trade Support Loans will provide the support and assistance apprentices should have to meet day to day expenses associated with living, learning and completing an apprenticeship.

### *Support for trades we need*

The Coalition's Trade Support Loans will only be available to an apprentice who is undertaking a Certificate III or IV qualification that leads to one of the occupation listed on the National Skills Needs List. These qualifications include, but are not limited to:

- Automotive Electrician
- Baker
- Bricklayer
- Butcher or Smallgoods Maker
- Cabinetmaker
- Carpenter
- Cook
- Diesel Motor Mechanic
- Electrician (General)
- Fitter and Turner
- Painting Trades Worker
- Panelbeater
- Pastrycook
- Plumber (General)
- Roof Tiler
- Screen Printer
- Sheetmetal Trades Worker
- Signwriter
- Solid Plasterer
- Stonemason



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- Fitter-Welder
  - Furniture Finisher
  - Gasfitter
  - Glazier
  - Joiner
  - Landscape Gardener
  - Locksmith
  - Metal Fabricator
  - Motor and Motorcycle Mechanic
  - Telecommunications Technician
  - Toolmaker
  - Upholsterer
  - Vehicle Body Builder
  - Vehicle Painter
  - Vehicle Trimmer
  - Wall and Floor Tiler
  - Welder (First class)
  - Wood Machinist

These are examples of the trades that Australia most needs.

The Coalition will support those undertaking training in these areas and encourage more people to take on a trade.

### *Only repaid when earnings flow*

Trade Support Loans will be interest free and repayable at the same thresholds as FEE-HELP loans for university students, which is currently \$51,309, so the apprentice does not have to repay any money until they are earning a sustainable income.

As with FEE-HELP loans, Trade Support Loans will only be subject to indexation to account for changes in the real value of the loan. Trade Support Loans will be indexed on 1 June each year in line with changes in the cost of living (measured, as per FEE-HELP loans, by the Consumer Price Index figure released in March of each year).

### *Apprentices need more support*

There are many reasons why financial support schemes for apprentices need a boost.

Firstly, Australia needs more apprentices and tradespeople however many young Australians do not consider a trade as a first class career choice. A Coalition government will address this perception through better financial support and recognise the importance of undertaking an apprenticeship.



Secondly, existing VET FEE-HELP and Youth Allowance support is complex and eligibility requirements diverse. Some apprentices who need support may fall through the cracks yet they face similar financial challenges as other students.

A law student at the University of Queensland can effectively defer nearly all their roughly \$9,000 per annum in university fees through FEE-HELP,<sup>1</sup> a nursing student at Monash University can defer nearly all their \$25,000 course fee through FEE-HELP,<sup>2</sup> and medical students at the University of South Australia can defer virtually all their nearly \$10,000 per annum in university fees through FEE-HELP.<sup>3</sup>

Like university students, apprentices can also access VET FEE-HELP for tuition fees. However, VET FEE-HELP is only available for training through approved providers, leaving some apprentices or their employer to pay these costs.

Third, university students are eligible to receive an income contingent \$2050 per year Student Start-up Scholarship loan that is not provided to apprentices.

Fourth, unlike university students, the vast majority of apprentices also work full-time making it difficult to supplement their income through other part-time or casual work options and there are no government scholarships for those undertaking an apprenticeship.

Finally, many who commence an apprenticeship are lured away from their training by higher wages in other industries, such as the resources sector. The pre-tax weekly wage is \$309.49 for a first year apprentice who has completed year twelve and can be even lower in some cases. The Coalition's Trade Support loan would provide the equivalent of a tax free income boost of over \$150 per week for a first year apprentice. Modelling shows that the rate of apprentice withdrawals is at its highest during the first year of an apprenticeship.

The Trade Support Loans available under a Coalition government will help Australia maintain and boost a skilled and productive workforce.

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1 University of Queensland fees at: [http://www.ug.edu.au/study/indicative-fees.html?level=ugrd&nationality=australian&dual\\_degree=False](http://www.ug.edu.au/study/indicative-fees.html?level=ugrd&nationality=australian&dual_degree=False)

2 Monash University fees at: <https://secure.monash.edu/scsd/domestic-fee-rates/finish.php>

3 University of South Australia fees at: <http://w3.unisa.edu.au/fees/domestic/commonwealthsupported/contributions/band2.asp>





## The Choice

Australians will be able to choose between a Coalition Government that is serious about helping apprentices and a Labor government with a track record of failure.

Kevin Rudd and Labor were the architects of the Productivity Places Programme which was a spectacular and expensive failure.

Designed to train over 711,000 people, this \$2.1 billion programme was so badly administered that, according to documents obtained through FOI, evaluators could not even tell who had received training.<sup>4</sup> It failed to address skills shortages and was skewed towards low-level qualifications.

The programme failed to provide tangible employment outcomes, with more than half of participants not finding a job. Only one in five jobseekers placed in work found employment in a job relevant to the area of training received.

In the last twelve months alone, Labor has cut over \$600 million of employer incentives for many vocational education programmes.

In contrast, a Coalition Government will help support apprentices with everyday living costs and without placing additional burdens on employers.

By scrapping the job destroying carbon and mining taxes, ending government waste and getting the Budget under control, a Coalition Government will create strong economic conditions and ensure a healthy future for trades jobs.

## Cost

The Coalition's *Policy for Better Support for Australian Apprentices* will cost \$85 million over the forward estimates period.

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<sup>4</sup> <http://www.theaustralian.com.au/national-affairs/bn-government-skills-program-failed-to-address-key-shortages/story-fn59niix-1226124865101>





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