

# Review of group training arrangements in Queensland – a follow up to the 2018 Review

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A Report to the  
Minister for Employment and Small Business and  
Minister for Training and Skills Development  
and the  
Director-General, Department of Employment,  
Small Business and Training

**Office of the Queensland Training Ombudsman  
December 2019**

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## Purpose of the Review

The purpose of this follow up report is to provide an update on the implementation of recommendations from the 2018 review, identify the impact of changes made and identify further opportunities to enhance the quality of outcomes delivered by Group Training Organisations (GTO).

## Background

This report should be read in conjunction with the January 2018 report *Review of group training arrangements in Queensland*.

Prior to the 2018 review, the Queensland Training Ombudsman received complaints, formal enquiries and informal enquiries regarding activities of GTOs, including:

- apprentices not being provided with the full range of work
- apprentices undertaking significant off the job training that is not being matched with appropriate placements with host employers
- excessive use of part-time arrangements as a recruitment practice
- apprentices being provided with additional training that does not align with their progression through an apprenticeship
- apprentices being engaged but not being allocated to host employers
- inappropriate cancellation of apprenticeships
- inappropriate stand down of apprentices, including apprentices being forced to resign or take leave without pay.

Whilst a number of these issues have been addressed, complaints have still been received in relation to:

- inappropriate cancellation of apprenticeships
- apprentices not being provided with the full range of work.

Additionally, some stakeholders have raised concerns regarding confusion being created as a result of the possible sale and ownership changes of several GTOs.

## Group Training Arrangements in Queensland

### Funding Levels

Joint Group Training Program (JGTP) funding reduced over a number of years with a peak of \$8.2M in 2009-10 to a low of \$5.065M in 2014-15. Following the cessation of the JGTP, the State has maintained a funding allocation of over \$3M per annum since 2015-16. Details of annual funding levels since 2013-14 are outlined below:

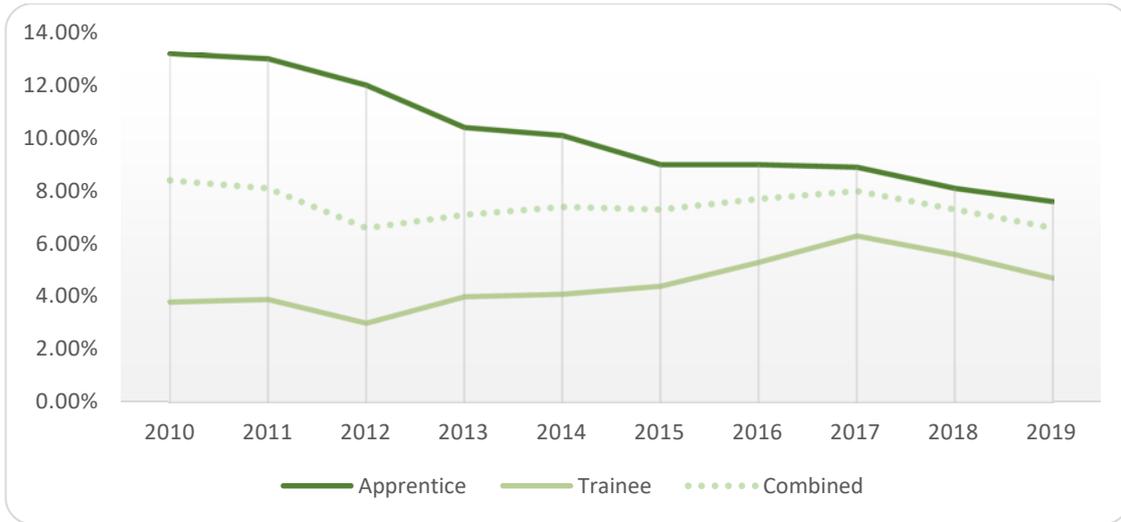
Year	Budget
2013-14	\$6,331,576
2014-15	\$5,065,260
2015-16	\$3,165,000
2016-17	\$3,165,000
2017-18	\$3,250,000
2018-19	\$3,250,000
2019-20	\$3,250,000

### The Queensland GTO Market

There are currently 31 GTOs recognised in Queensland, down from 33 when the last review was conducted.

The following graphs have been updated to include 2018 and 2019 data.

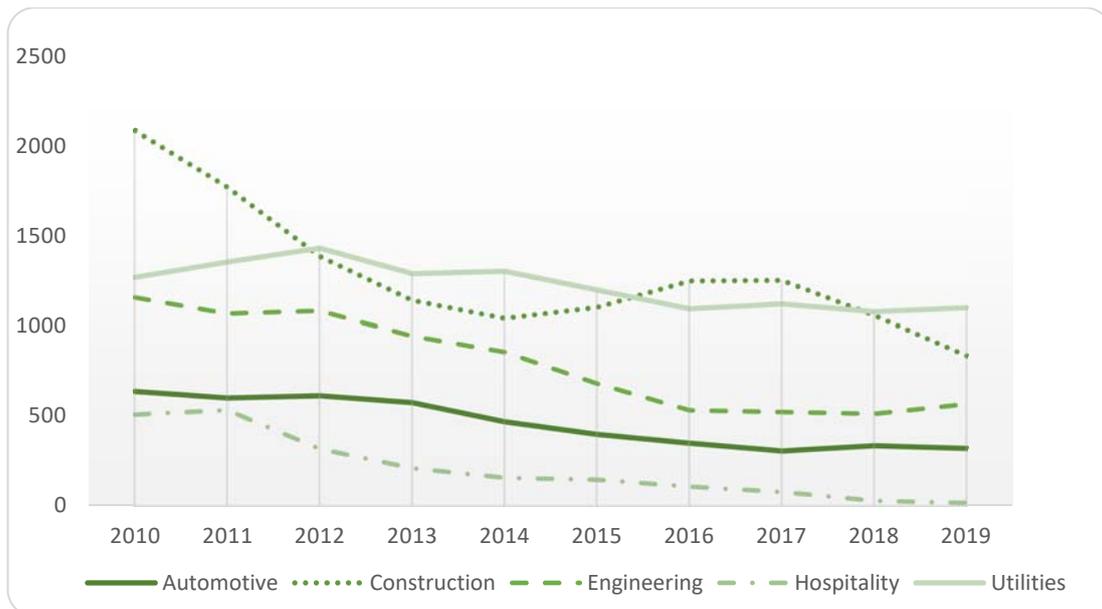
Graph 1 - Queensland GTO Market Share



Data provided by DESBT – as at 30/6/19

GTO market share of apprentices in training is continuing to decline. Of particular interest is the previously identified growth area of traineeships in training is also now declining.

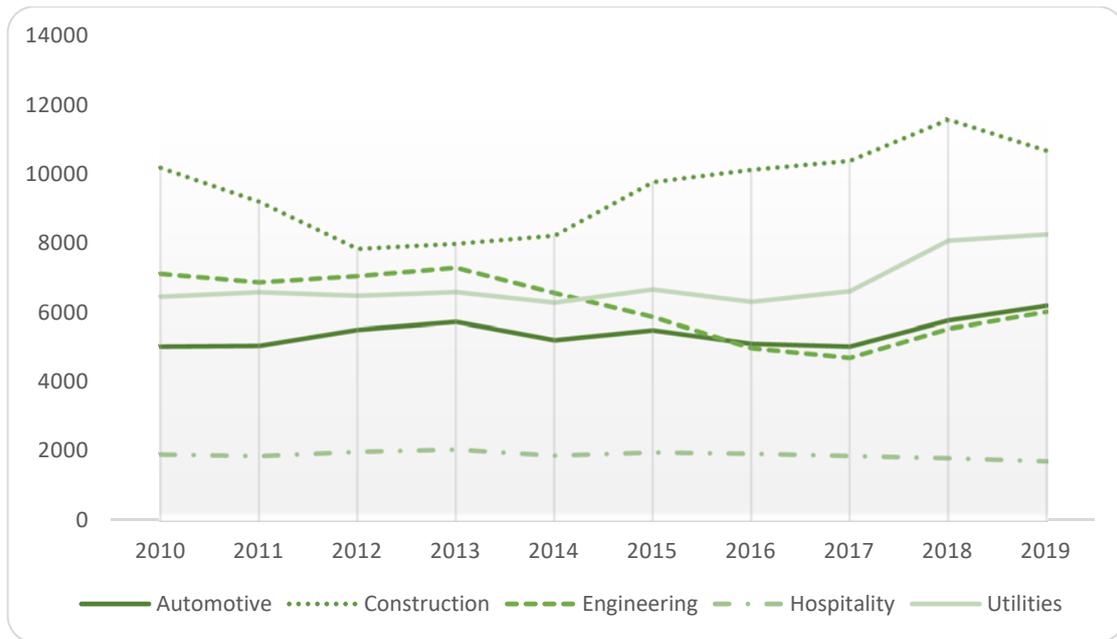
Graph 2 - Industry Trend – GTOs only - apprentices in training



Data provided by DESBT – as at 30/6/19

The number of apprentices in training employed by GTOs in the construction sector have decreased significantly, and there have been further declines in the hospitality sector. The number of apprentices in training employed by GTOs in the automotive, engineering and utilities sectors has remained constant during 2018 and 2019.

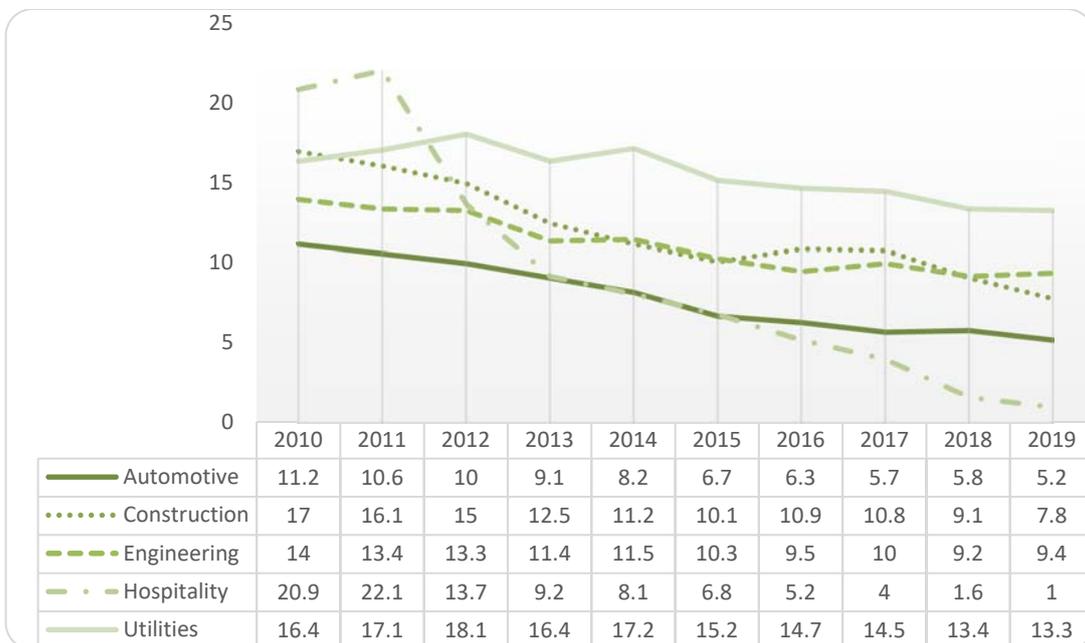
Graph 3 - Industry Trend – apprentices in training



Data provided by DESBT – as at 30/6/19

In comparison to graph 2, there has been growth in automotive, engineering and utilities sectors, a decline in construction and constant level maintained in hospitality, when considering apprentices in training with all employers.

Graph 4 - GTO Apprenticeship Market Share – top 5 Industries in 2010



Data provided by DET – as at 30/6/19

The changes in role and impact of GTOs is best highlighted by the industry analysis of market share, with market share above 10% in the utilities industry only. The market share analysis highlights that the hospitality industry is no longer utilising the services of GTOs despite the overall number of apprentices in the industry remaining constant. The decline in market share in construction is a worrying sign for GTOs and their ongoing relevance for the industry in which they held significant market share in 2010. Interestingly, data as at 3 October 2019 indicates the market share in the construction industry has now reduced to 7.2% (776 apprentices out of a total of 10,736).

GTOs also employ small numbers of apprentices in food processing, primary industry, retail, and textile clothing and footwear industries.

With regard to other sectors, as at 3 October 2019, GTOs employ:

- 0 out of 992 apprentices, and 50 out of 1768 trainees, in the community services sector (which is widely reported as the strongest growth sector in the Queensland economy)
- 492 out of 4612 business trainees
- 1 out of 2094 apprentices (such as hairdressers and retail butchers), and 45 out of 2278 trainees, in the retail sector
- 0 out 23 apprentices, and 45 out of 418 trainees, in the sports and recreation sector.

Despite the above, collectively, GTOs are still the largest employer of apprentices and trainees in Queensland.

### Current Funding Model

As recommended in the previous review, the Department of Employment, Small Business and Training (DESBT) has changed the payment model to the below weighting model, noting that payments are made for apprentices only, with no payments made for trainees.

GTO payment model		
		Weighting
<b>Commencements</b>		0.5
	Re-Commencement	0.3
	Regional	0.2
	Remote	0.3
<b>Completions</b>		1.0
	Regional	0.25
	Remote	0.4

An instalment of 70% is to be paid in November 2019, with the second instalment paid in April 2020.

**Attachment 2** outlines details of funding provided to each eligible GTO in 2015-16, 2016-17, 2017-18, 2018-19 and the proposed level of funding for 2019-20.

### Recent Report released by the National Centre for Vocational Education Research (NCVER)

NCVER released a report titled "*Completion rates for group training organisations and direct employers: how do they compare?*" The report identified that, when compared to direct employment of apprentices and trainees by small and medium employers, GTOs have better completion rates. Despite using a case study from a GTO based in Queensland, the data used for the comparison excluded Queensland. Given GTOs are themselves large employers, it could also be argued that the comparison should have been against large employers and not small to medium employers. Nonetheless, the report identifies that the demographic profiles and size of the employer are key characteristics which influence completion rates.

## Consultation

### GTO Consultations

Consultation for this review occurred predominantly with the Apprentice Employment Network (AEN) and with GTOs on their management committee, in particular MIGAS and Apprentices Qld. Following a review of GTO websites, consultation also occurred with TORGAS who offer what can be considered the services of the traditional GTO model and have maintained constant numbers since the original review despite being in a regional centre. Consultation also occurred with OSMAC due to the significant growth in the number of apprentices and trainees employed by them. In general terms, the outcomes of the website review and the consultations were:

- GTOs operate under different operational models, as expected
- all GTOs promote a range of services on their website, yet in some cases those services are not always delivered (eg take the worry out of ongoing employment should a business run out of work)
- most GTO websites provide examples of significant support from employers
- at least one website promotes a range of case studies linked to their engagement of apprentices
- some treat the host employer as their client, whilst others focus on the experience of the apprentice
- there appears to be increased competition amongst GTOs in regional employment markets
- GTOs expressed concerns in their ability to compete in the construction sector due the contract nature of the workforce
- having competent field staff is a critical success factor for GTOs.

### **Apprentice Feedback – Surveys conducted by DESBT**

A telephone survey was conducted with 85 apprentices who recently completed an apprenticeship through a GTO, or cancelled their apprenticeship whilst employed by a GTO.

	2017 Survey Result	2019 Survey Result
Without a host for some part of their apprenticeship	48%	29%
Visited by their GTO “not very often” or not at all	49%	21%
Purpose of visit was workplace mentoring	57%	65%
Satisfied with experience	64%	81%
Recommend GTO to others	66%	81%
Skills learnt at RTO were used in the workplace	69%	85%
GTO found host employer	80%	84%
Completed on time	87%	68%

With the exception of completing on time, the above results are very positive for the GTO network, with significant increases in apprentice satisfaction and whether an apprentice would recommend a GTO to others.

A survey was also conducted with 79 apprentices currently employed by GTOs.

	2019 Survey Result
Without a host for some part of their apprenticeship	27%
Visited by their GTO “not very often” or not at all	25%
Purpose of visit was workplace mentoring	65%
Satisfied with experience	85%
Recommend GTO to others	86%
Skills learnt at RTO were used in the workplace	79%
GTO found host employer	98%

This result is also very positive for the GTO network

### **Employer Feedback – Survey conducted by AEN (Qld and NT)**

AEN conducted a survey of employers, noting that the majority of respondents utilised the services of GTOs. AEN advised that the survey identified the benefits of using a GTO included:

- candidate recruitment and selection is based on knowledge of host employers’ skills needs and other culture requirements to get an apprentice with the best fit
- GTOs manage the paperwork side of the apprenticeship and mitigate the processing and compliance requirements of the apprenticeship and better negotiate a customised training plan with the RTO on workplace skills needs
- GTOs can manage scope issues in terms of training plans and provide rotations if work demands change or skills needs change based on work demands
- GTOs effectively monitor and mentor apprentices in the early stages of the apprenticeship.

## Update on Implementation of the 2018 Recommendations

1. *GTOs should ensure that they maximise the benefits of being the largest collective employer of apprentices and trainees in Queensland. This should include consideration of:*
  - a. *collective marketing of the benefits provided by GTOs that focusses on a fresh approach to their role*
  - b. *identification of target industry sectors that provide growth opportunities*
  - c. *consideration of strategies to grow overall market share and reduce poaching*
  - d. *developing and implementing strategies that improve the completion rate for apprentices engaged by GTOs*
  - e. *investing in the professional development of GTO field staff.*

Since the 2018 review, AEN has been working with members and key stakeholders to progress a combined approach to marketing GTO benefits. Activities have included:

- provision of key economic data to members on a regular basis to assist GTOs to determine the effectiveness of current markets and to identify future markets
- engagement of a consultant to assist in the development of a strategy
- regular workshops with GTO leaders
- professional development of GTO staff
- regional workshops targeting potential host employers and promoting the benefits of GTOs
- release of a video on 11 September 2019 promoting their “Win–Win Group Training System” to prospective apprentices and host employers.

Data provided by DESBT confirms that completion rates for GTOs have improved from 53% when the previous review was completed to 57% as at 30 June 2019.

2. *DET should work with GTOs to identify opportunities where a transfer of the training contract would be more appropriate than cancellation when an apprentice or trainee is taken on directly by a host employer.*

DESBT is continuing to work with AEN and individual GTOs to ensure that transfers are used instead of cancellations where possible.

3. *Should the transfer of an apprentice be an appropriate strategy, GTOs should review penalty clauses in their host employer agreements to facilitate such transfers.*

Some GTOs advised they have reviewed penalty clauses and now only seek payment of an administration fee, whilst others are still enforcing penalty clauses in their agreement.

4. *DET should continue to implement an effective communication strategy with GTOs and other key stakeholders that clarifies when suspension of the training contract in accordance with the FET Act is appropriate, and ensures the suspension of the training contract is not being used as a proxy for stand downs.*

DESBT issued advice to all stakeholders regarding this issue. Most importantly, action was taken to amend the FET Act to clarify arrangements for suspension of the training contract, including temporary suspension by employer and stand down of employment. These legislative changes were implemented in October 2019.

5. *DET should require SRTOs to develop an Employer Resource Assessment for the first host employer identified by a GTO for each training contract to ensure that the host employer can provide the full range of work or that effective strategies are in place for the rotation of an apprentice.*

This requirement was implemented by DESBT effective from 1 January 2019.

6. *DET should revise the QGTP funding model to ensure that it:*
  - a. *aligns to the role of GTOs*
  - b. *does not recognise part-time commencements as an eligible commencement*
  - c. *focusses on completions*
  - d. *provides regular access to data on GTO performance*

- e. *rewards good performance through the allocation of longer term contracts*
- f. *incorporates an effective transition strategy.*

DESBT has reviewed funding guidelines and no longer recognises part-time arrangements as an eligible commencement, and now focusses on completions. DESBT continues to work with AEN and redefine the role of GTOs through their “Win–Win Group Training System” which will be considered in future funding guidelines. DESBT has commenced providing regular performance data to the GTO network. Due to ongoing budget constraints, the move to longer term funding contracts has not yet been considered. Due to the changes to funding guidelines being phased in, the full impact of the changes has not yet eventuated.

**Attachment 2** outlines the payments made to individual GTOs since 2015-16. The full implementation of the changed funding model suggested in the 2018 review is occurring in 2019-20. Essentially, the funding model now provides an incentive for completions, with other payments representing a proportion of that. The challenge with the model is that it is calculated to expend the budget. In other words, if the numbers of apprentices decline, the level of the incentive increases. Whilst this approach is understandable to assist in managing the budget for DESBT, it does not provide a clear funding level for GTO planning and, as such, does not directly influence behaviour. A clearly communicated incentive structure, paid in two instalments, would drive behaviour but would also need a commitment for DESBT to use underspends for innovative approaches and manage possible overspends if there was a significant improvement in market share in one year. More details regarding a proposed new approach to funding are outlined in **Attachment 1**.

- 7. *GTOs accessing funding should be required to provide a report (either quarterly or six monthly depending on the level of funding) that outlines the name of all apprentices and trainees, the name of their host employer at the time of reporting, together with details of any apprentice who has not been allocated to a host employer for two or more days during the reporting period.*

GTOs provided this data as requested by DESBT. The data indicated that the majority of apprentices were without a host for some period during their employment but the duration was for very short periods in the majority of cases. Of particular interest was that most GTOs provided the data listing the client as the host employer, whilst one GTO listed the apprentice as the client. It is noted that DESBT has decided the request for this data would only be made on an annual basis.

- 8. *DET should consider opportunities for additional funding to be provided under the Skilling Australia Fund that targets priority cohorts, regions or occupations.*

No funding was available through the Skilling Australia Fund for this purpose.

- 9. *DET should strengthen compliance and monitoring with the QGTP funding agreement and 2017 National Standards for GTOs through:*

- a. *effective monitoring of annual self-assessments to ensure that they align with available data and feedback from DET regional officers and the Office of the Queensland Training Ombudsman*
- b. *undertaking a regular survey of apprentices who have been engaged with GTOs*
- c. *strengthening external audit requirements in relation to compliance with the standards*
- d. *active monitoring of recognition of GTOs under the FET Act including issuing notices to GTOs where concerns are being raised that they are not operating to enhance the reputation of group training arrangements, and to remove recognition of a GTO who has not employed apprentices or trainees for a period of time.*

DESBT has implemented processes to effectively engage the Office of the Queensland Training Ombudsman and the DESBT regions in the review of GTO annual self-assessments. DESBT has commenced regular surveys of apprentices as outlined earlier in this report. Though active monitoring of GTO recognition, at least one show cause notice has been issued to a GTO seeking to cancel their recognition. DESBT is continuing to monitor external audits undertaken by GTOs and will strengthen arrangements in future recognition processes if required.

## Conclusions

1. Despite still being the largest collective employer of apprentices and trainees, GTOs are continuing to lose market share
2. The implementation of workshops by AEN to promote their “*Win–Win Group Training System*” has only just commenced with an aim to address declining market share
3. The completion rates for apprentices employed by GTOs has increased since 2018 and are now equal to the completion rate for all employers
4. The results of the 2019 apprentice survey show considerable improvement on the outcomes from the 2017 survey
5. The recommendations from the 2018 report have been implemented by AEN and DESBT
6. The current funding program adjusts payment schedules to ensure full expenditure of the budget and, in some cases, hides poor behaviour and reduction in market share. That is, if there a fewer apprentices the current funding model pays more ‘per event’ as a means of allocating the budget.
7. There is an opportunity to focus the funding program on the experience of the apprentice and not the experience of the host employer
8. The intent of the funding could be moved from funding that supports GTOs towards funding that supports apprentices, as part of a range of initiatives aimed to help attract, retain and complete apprenticeships.

## Recommendation

DESBT should consider implementing a revised funding model that focuses on outcomes delivered by GTOs for apprentices, that also considers the principles of a new funding framework as outlined in **Attachment 1**.

## Attachments

### Attachment 1

## Options for Future Funding Under the Queensland Group Training Program

Consideration should be given to changing the name of the funding program to the “Apprentice GTO Support Funding Program”. This program could then be considered as part of a suite of initiatives to assist apprentices and employers, and not just an isolated funding program to support the operations of GTOs. An indication of what this could entail is outlined in **Attachment 3**.

The aim of the fund should be to:

- link the right apprentice with the right host employer in the right qualification
- facilitate access to the full range of work required
- produce industry supported trade outcomes
- improve completion rates for apprentices

As part of the funding, the GTO must:

- employ the apprentice and acknowledge that the apprentice is their client (essentially becoming an agent for the apprentice ensuring the provision of a healthy and safe work environment, payment of all entitlements, access to required training and provision of support services to the apprentice)
- arrange for a signed apprenticeship services contract to be entered into with the apprentice
- facilitate the transfer of the apprentice to direct employment with the host employer if appropriate
- maintain an extensive network of host employers
- not terminate the employment of an apprentice when host employer runs out of work unless they have approval from DESBT to do so (in accordance with guidelines to be developed)
- not ‘poach’ apprentices from other GTOs or employers
- meet recognition requirements for a GTO, including compliance with standards and reporting requirements

The fund should:

- make a payment of a pre-determined incentive level to each eligible GTO for a defined event (eg commencement, completion, regional apprentice, SAT), with payments made twice a year
- penalties should also be considered for GTOs that do not meet established benchmarks (eg completion rates, excessive use of suspension and stand down provisions)

## Attachment 2 – GTO Funding

GTO	2015-16	2016-17	2017-18	2018-19	2019-20
Aboriginal Employment Strategy	0.00	0.00	0.00	0.00	0.00
Acclaim Apprentices and Trainees Ltd	191,695.00	119,684.00	104,208.00	110,973.00	49,725.00
AFL SportsReady	2,581.00	4,580.00	0.00	5,525.00	2,550.00
All Trades Queensland Pty Ltd	821,762.00	925,010.00	869,235.00	637,189.50	561,000.00
Apprenticeships Queensland Ltd	171,428.00	203,254.00	206,078.00	237,282.00	211,012.50
Australian Industry Group Training Services Pty Ltd	24,358.00	3,271.00	12,525.00	14,910.00	12,750.00
Australian Training Company Ltd	30,126.00	13,742.00	6,680.00	12,780.00	6,375.00
Aviation Australia Pty Ltd	0.00	0.00	8,350.00	0.00	15,300.00
Capricornia Training Company	22,683.00	10,398.00	2,338.00	0.00	0.00
Direction Employment and Training	0.00	0.00	0.00	0.00	0.00
ECA Training Pty Ltd (NECA GT)	35,767.00	71,060.00	86,005.00	99,045.00	87,975.00
Electro Industry Group Queensland Ltd	141,020.00	129,209.00	159,401.50	295,537.50	254,362.00
Gladstone Area Group Apprentices Ltd	116,106.00	100,522.00	79,742.50	84,987.00	120,105.00
Golden West Group Training Scheme Inc	135,332.00	107,809.00	140,530.50	172,743.00	170,722.50
HGT Australia Ltd (NovaSkill)	0.00	9,163.00	12,525.00	7,987.50	6,375.00
Housing Industry Association	44,229.00	49,085.00	59,285.00	29,820.00	54,825.00
Manufacturing Industries Group Apprenticeship Scheme Inc	120,244.00	141,003.00	150,133.00	153,253.50	136,425.00
Maxima Group Inc	2,564.00	4,581.00	5,845.00	3,195.00	6,375.00
MEGT Australia Ltd	30,768.00	21,464.00	24,215.00	41,641.00	43,222.50
MIGATE Inc	17,171.00	13,344.00	Ceased operating		
MRAEL Ltd	145,329.00	138,474.00	123,162.50	163,158.00	277,057.50
OSMAC Group Training Pty Ltd	54,485.00	51,960.00	195,640.50	223,543.50	322,575.00
Apprenticeships Careers Australia (prev NSW Business Chamber Ltd (Extrastaff))	13,458.00	10,010.00	0.00	0.00	0.00

<b>GTO</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Pine Rivers, Caboolture and Redcliffe Group Training Scheme Inc (East Coast Apprenticeships)	324,980.00	451,699.00	369,654.50	317,476.50	286,110.00
Skilled Group Pty Ltd	0.00	13,475.00	15,364.00	19,276.50	23,460.00
Skills360 Ltd	331,089.00	203,427.00	252,170.00	199,687.50	187,042.50
Smart Employment Solutions Ltd	106,406.00	115,766.00	87,925.50	118,747.50	101,745.00
Timber and Building Materials Association Co. Pty Ltd	16,666.00	23,889.00	8,350.00	18,105.00	22,950.00
Toowoomba Regional Group Apprenticeship . Pty Ltd (Downs Group Training)	68,433.00	72,934.00	88,426.50	80,407.50	35,572.50
TORGAS Inc	128,092.00	101,924.00	\$123,663.50	118,002.00	144,712.50
WPC Group Ltd	89,994.00	53,856.00	49,849.50	75,189.00	93,202.50
	<b><u>3,186,766.00</u></b>	<b><u>3,164,593.00</u></b>	<b><u>3,241,303.00</u></b>	<b><u>3,248,782.50</u></b>	<b><u>3,233,527.50</u></b>

# ADVANCING TRADE SKILLS IN QUEENSLAND

**Oversighted by:**

Further Education and Training Act  
 Queensland Apprenticeship and Traineeship Office (DESBT)  
 Award and Agreement provisions  
 Training Ombudsman

**Supported by Commonwealth**

Incentives  
 AASN's  
 Trade Support Loans  
 ASQA

