



AdB

APPRENTICING OUR FUTURE: IS THE MODERN APPRENTICESHIP SCHEME THE ANSWER TO SKILLS SHORTAGES?

Anne de Bruin

*Department of Commerce,
Massey University, Auckland*



PS

Paul Spoonley

*College of Humanities and Social Sciences,
Massey University, Auckland*

Eva McLaren

*College of Humanities and Social Sciences,
Massey University, Auckland*



EM

Patrick Baron

*College of Humanities and Social Sciences,
Massey University, Auckland*

Abstract

Despite the recent slow-down of economic activity in New Zealand, serious skill shortages continue and are among the most severe in the OECD. In particular, the large and enduring trades-skill gap is well documented, not only in the New Zealand context but also globally. Recent policy measures, such as the Modern Apprenticeship Scheme, have been welcomed but are only a small step forward in addressing what appears to be an ongoing skills crisis in the traditional trades sector. New Zealand employers remain generally pessimistic that these measures will adequately address the skills deficit, in the short as well as longer term. Systemic barriers remain and the apprenticeship system is constrained and problematic. This paper draws on qualitative data from two studies of employers conducted under the auspices of the interdisciplinary, FRST-funded Labour Market Dynamics Research Programme. It examines the issues, challenges and solutions for enhancing apprenticeship training and ensuring a steady pipe-line growth of apprentices in New Zealand. The experiences of employers inform recommendations for training providers, industry organisations and policy agencies in order that they might adapt existing, and adopt new strategies to respond to skills shortages via the Modern Apprenticeship Scheme. National good practice is also highlighted.

Introduction

There has been growing concern over several years about the skills deficiencies of the New Zealand (NZ) workforce and skills shortages that impact on the productivity and competitiveness of businesses. In particular, the shortage of qualified people in the vocational trades is an ongoing problem that is not ameliorated even by a slowing down of economic activity. This large and enduring trades-skill gap is well documented, not only in the NZ context but also globally. It has highlighted the issues and problems associated with vocational education and training (VET).

For many in NZ, the definitive factor behind the current shortage of qualified tradespeople was the winding down of the traditional apprenticeship system during the early nineties (EPMU, 2005; Benson-Pope, 2006). The following employer comment, drawn from the qualitative research that informs this paper, encapsulates the belief that this has been the core reason:

In the building industry it went back to the middle to late 80s when the government pulled the pin on the funding for the training and at the same time we had an economic down turn. There wasn't any

apprentices trained at that stage because of costings and the economic down turn and that big gap has just followed its way through the system (Building Contractor, North Island provincial centre).

There is general pessimism about any significant improvement in the supply of skilled and qualified tradespeople in the foreseeable future. The introduction of the Modern Apprenticeship (MA) Scheme in 2000, however, has been a step in the right direction to address the trades-skills gap. However, importantly, the MA Scheme needs to be examined and enhanced in order to make further in-roads in reducing the serious shortage of vocationally trained and qualified people.

This paper draws on the findings of studies of employers conducted under the auspices of the interdisciplinary, FRST-funded Labour Market Dynamics Research Programme (LMDRP) and within the 'Pathways to Sustainable Employment' (PASE) project. PASE was designed firstly to examine the way in which individuals understand and negotiate access to employment, and secondly how employers obtain and manage labour, in an increasingly tight labour market. This paper deals with the latter objective. It reports from an initial survey of 170 employers in the North Island in five industries – building/construction, education, hospitality, retail, manufacturing (de Bruin, McLaren and Spoonley, 2005), subsequent 20 face-to-face interviews with a subset of these employers from the Auckland, Wellington, Gisborne and Manawatu regions. The sample was evenly divided between the building and construction and manufacturing sectors, which were the sectors we found particularly affected by skills shortages. The majority of the enterprises (85 percent) had been in operation for over 10 years. These in-depth interviews gave rich data on which to base informed employer comment (Baron and McLaren, 2006). Additionally, we supplement this with preliminary findings of yet another survey of 160 employers conducted in September/October 2006. The latter survey was on the training practices of SME employers (4-49 FTEs) in order that training providers and policy agencies could better meet their training needs.

Apprenticeships: Employer Perspectives on Current State of Play

Employers in our studies generally welcomed the introduction of the Modern Apprenticeship (MA) Scheme. They highlighted several issues as summarized in this section.

Firstly, employers reported a lack of both apprentices and apprenticeships. They blamed a decline over the past 10 years in the numbers of young people deciding to follow careers in the trades on an institutional bias within the education system against the trades in favour of white collar careers such as IT. This steered young people away from trades vocations and likewise under-prepared those young people seeking to enter the trades.

Secondly, it was argued that young people who wanted to follow a trade faced considerable difficulties gaining entry due to the insufficient apprenticeships available under the MA scheme. This was despite high levels of demand from employers.

I mean any apprenticeship you can get, you're lucky to get it. My apprentice I've taken on this year, he's been a year working with me as a labourer just so that he can guarantee that he had an apprenticeship at the end of it (Plumbing Contractor, Auckland).

Thirdly, the consensus was that the lack of apprenticeships was a direct consequence of the high costs and limited benefits associated with hosting an apprenticeship. Consequently, many employers, and particularly those managing smaller concerns, chose not to participate in the MA programme. The requisite outlay in time, resources and money for an investment that offered them little, if any, real return, acted as a barrier to hosting. Many of the respondents identified the financial cost of hosting an apprentice, who the business might have to carry financially for one to two years, as the key factor discouraging firms from participating in the MA Scheme.

...If you've got a first year apprentice going away in the first year on three block courses throughout the year of a duration of a fortnight each that's 6 weeks gone, very costly...(Owner of Joinery Factory, North Island provincial centre).

...I know there's lots of plumbing companies on the Shore especially don't take apprentices on because of the cost of it (Plumbing Contractor, Auckland).

Fourthly, poaching was seen as a serious issue. The high cost of training an apprentice led many firms to 'poach' qualified tradespeople after they had completed their apprenticeship at another firm. The initial survey found almost forty percent of the employers sourced their employees from other enterprises (de Bruin *et al.* 2005). There was a considerable amount of frustration with 'freeloaders' poaching newly qualified staff that had completed an apprenticeship under their tutelage.

Part of the frustration was that there appears to be no system of bonding in place after completion under the MA Scheme. A newly qualified tradesperson is not required to give their host employer the right of first refusal for their services. However, one Auckland-based plumber was able to successfully work around the inability to bond apprentices once they became qualified, by making new apprentices sign up for the additional two years required to get their craftsman certification, following the completion of the four-year apprenticeship. This employer was thus able to benefit from having an additional qualified plumber on their staff for at least two years rather than have that person poached by another business. By contrast, another Auckland-based

manufacturer was discouraged by an inability to derive any financial or employment benefits following completion of an apprenticeship in their plant and had decided not to host any more apprenticeships. He complained about the additional costs 'of covering masses amounts of expensive mistakes' in training an apprentice for four years who had left immediately he became a tradesperson.

Employers also identified other shortcomings of the MA Scheme. Four of the employers interviewed raised concerns about the organisational and managerial processes involved with the scheme. One employer in the manufacturing sector was critical of the tardiness of the local Industry Training Organisation (ITO) that his company was dealing with, which made it difficult for his company to synchronise the training schedule of their two apprentices with the business requirements of the factory. Furthermore, it also made it difficult to manage the training plan and incentives for each of the apprentices that they were hosting. For instance, the marking of course work and the processing of results 'seems to take forever'. It was mentioned that it took four months to fully register one of their employees as an apprentice with the ITO. He felt that the cause of the ITO's inability to promptly expedite the processing of core information was due to the fact that the organisation was clearly understaffed (due to being under-funded). An owner of a joinery factory likewise expressed dissatisfaction with one of the two ITO's that their company was working with. Similarly employers from the plumbing sector expressed dissatisfaction with plumbing sector ITO, with one having this to say:

...the organisations involved with plumbing are woeful and we need to clean them up for a start. We need to develop policy to help employees, rather than self-serving people (it's hard to realise how incompetent they are)...bureaucracy gone mad (Plumbing Contractor, Wellington).

The drop in new tradespeople being trained raised two additional concerns from employers. Firstly, some employers believed that the decline in the rate of apprentices undergoing training would impede business growth. Secondly it could also mean that some sectors might experience a further decline in the number of qualified tradespeople, because it was going to be difficult to replace those who had retired or left the sector to pursue other opportunities.

You get your retirement of the older tradesmen and then the gap of no one filling it and it's just followed its way through reality and also there is a large upturn in work which puts stress on the current parcel of employees out there (Building Contractor, North Island provincial centre).

Employer Solutions

Several employers called for changes to the education system, especially at secondary school level, which they felt was overly focused on preparing students for white collar careers. In particular, respondents wanted the secondary school curriculum restructured so that it was more fully attuned to the workforce requirements of the economy (including qualified tradespeople). Furthermore, they also wanted trades vocations to be promoted as valid career paths, especially to young people whose mix of talents might be better suited to a practically orientated career, as the following comments show:

I think at the school level there has to be an input about trades. Basically kids need to know that not everybody is suited to either an academic or IT job and that the trades are a very good alternative particularly for somebody who is good with their hands (Plumbing Contractor, Auckland).

The positive impact that career guidance in local schools can have on a trades career choice was reported by one respondent in the building industry. As a result of schools in the area promoting the industry, a significantly larger number of secondary school students in his area were showing an interest in pursuing a career in building.

Not surprisingly, respondents, in addition to calling for changes within the education system, called for the number of apprenticeships to be increased. The challenge therefore is how can the number of apprenticeships be lifted to meet not only the existing demand for places, but also for the greater number of young people that are likely to seek a career in the trades if, and when, the education system begins to actively promote and prepare more young people for vocations in the manual trades?

Previously, it was mentioned that the primary reason why many otherwise suitable employers were deterred from hosting apprenticeships came down to a matter of cost; this is not only due to the high financial costs involved, but also other costs including the time involved in managing apprenticeships. In addition, some individuals complained about the inability to bond apprentices under the existing regime. As a result, there was no guarantee that the host employer would be able to realise the benefits gained from their investment in apprentice training. Poaching was a problem.

Subsidisation of apprenticeships was one broad solution suggested by many employers. A significant proportion of employers favoured state subsidisation of apprenticeships though there was a split of opinion on the nature of this subsidy. One group clearly favoured subsidising the wages of apprentices and the other the subsidisation of the non-wage costs associated with hosting an apprenticeship. Both camps believed that subsidisation would encourage greater employer participation in the MA Scheme.

Whatever the form the subsidy took and irrespective of whether the state or industry bore the cost of the subsidy, there was also a strong belief that it may encourage smaller firms to become involved in the MA Scheme. One participant phrased it well saying:

At the moment you've only got the larger companies training the guys and you've got the one-man-bands, the small gangs aren't training because it's not economical for them to train. Where in actual [fact] those ones [the smaller concerns] will actually give the apprentices a more one-on-one situation. If they had a subsidy from that levy those sorts of guys would take on more apprentices, which then would have a better grounding for the industry through [a] one-on-one hands-on situation. I reckon you'd get a far better apprentice training system like that (Building Contractor, North Island provincial centre).

An employer in the wage subsidisation camp, suggested that a past model was appropriate:

... the first year they provide 50 percent of the wages to help cover the cost of it and I think the second year they covered 25 percent (Plumbing Contractor, Auckland).

Wage subsidisation would reduce the cost-barrier against employer participation in the MA Scheme and broaden involvement and would provide members from his sector the necessary business rationale to justify hiring an apprentice. Other employers too noted that it can take one to two years before an apprentice accumulates sufficient skill and experience to be able to positively contribute to the overall profitability of the enterprise. For instance, one employer who was already a participant in MA Scheme with two apprentices, emphasized that a subsidy would make the hiring of another apprentice viable for his company.

A second group of employers proposed that any government subsidy should be used to offset non-wage costs associated with hosting an apprenticeship, in particular those costs incurred by hosts when sending apprentices to block-training courses. In addition, several employers suggested that they continued to pay wages to their trainees whilst they were away from the business attending a block course, even though they are not contractually obligated to do so. They also financially assist their trainees with course fees plus other expenses. Thus any subsidy should be used to relieve this non-productive cost from host-employers which would, in turn, encourage more employers to participate in the apprenticeship programme. Some comments below illustrate this call:

At the moment when the joinery apprentices go to their block courses that we pay them which we do. So we pay them for eight hours a day while they're away even if that was paid instead of us paying them. We

also pay their course fees which are \$300 per course; [so] those are all extra costs and they are things we do for them. We don't have to do it but imagine if you're away for three weeks and not earning any money and you've got to pay the rent and your family is left behind. They can't afford it so we pay them. So if we were paid in compensation that would make a big difference (Joinery Factory Owner, Auckland).

When I think back to the eighties when that was in place [a subsidy], we would get say, three weeks after our boy had attended [a] block course...a cheque. It wasn't the total amount of his wages because we were paying more than the amount but it was the bulk of his wages we would get a cheque for. I think that needs to happen again if the government is serious about getting more apprentices (Plumbing Contractor, Auckland).

It would be good because basically when they're off training...they're not productive and we're still paying for it. Yeah it would be nice if we were subsidised with it (Glazier, Auckland).

Some employers had different views as to which bodies should receive a subsidy, with some even openly questioning whether a subsidy should be given to employers in the first place. For instance, two Auckland-based manufacturers rejected the idea of the government offering a subsidy to encourage greater employer involvement in the MA Scheme. They felt that employers should be more willing to bear the costs involved in training new tradespeople.

No I think the employer should pay for that. You know put it this way if we had a good apprentice we wouldn't hesitate to take him on, - no because we had good experiences with our apprenticeship programme...So yeah we believe in that system. You cannot kind of cry at it and then not support it (Factory Manager, Auckland Manufacturer).

...Everyone puts their hands up and wants assistance from the government but I don't know that the government has to do all of these sort of things. Very easy to put your hand up and say listen we want subsidies from the government... (Manufacturer, Auckland).

Another employer, a building contractor from a North Island provincial centre, whilst eschewing the idea of a state-funded subsidy, did not rule out the idea of a direct subsidy being used to assist employers hosting apprenticeships. He argued that any subsidy provided should be funded by each industry. For instance, he

proposed that the building sector could readily fund such a subsidy through a special industry levy on building consents. This would ensure that everyone in the industry contributed to the training of new tradespeople. It would also be a solution to unfair 'freeloading' and poaching:

...So what they do is they can offer \$1 an hour more for a fully qualified person...and reaping the benefits off our training. If those guys that aren't training anyone had to contribute to a levy and they got a subsidy from that levy to train someone, they would and could train their own...instead of us training and they stealing (Building Contractor, North Island provincial centre).

It is interesting that one interviewee called for apprentices to be bonded post-qualification. However, this was only in relation to keeping tradespeople working in NZ for a period of time after they qualified rather than necessarily tying them to their host employer.

I think the government should actually put a bond or some sort of thing on apprentices that when they qualify they're bonded here for a couple of years before they can go overseas...I think if the government is going back a bit maybe spending a bit of money on training and that sort of thing, giving employers training money and...then they should be bonding the apprentices to say you go to do two years in New Zealand post apprenticeship at your trade before you can go overseas (Electrical Contractor, North Island provincial centre).

A Good Practice Model: The ETCO Scheme

There was strong support for a subsidy being offered to host-employers as a possible solution to the current shortfall of apprenticeships. While there are various ways in which this could be structured, the model presented in this section is put forward as an example of VET good practice.

The training venture for the electrical sector, The Electrical Training Company Ltd (ETCO), was founded in 1991 by the Electrical Contractors Federation and Electrical Workers Union to address the rapid decline in young people taking up apprenticeships during this period. ETCO is unique in that unlike most other ITOs, it assumes many of the functions of a host-employer, including both the sourcing and hiring of apprentices. Furthermore, ETCO provides the initial training of apprentices before they are placed out on short-term placements with host-employers. The aim of the external placement programme is to enable apprentices to build a broad set of practical skills as they proceed through the various stages of their training programme. At the same time ETCO works with the host-employer to ensure that the placement will actively contribute to the profitability of the firm concerned (such as ensuring that hosts only receive trainees with an appropriate level of skill for the

work they will be required to do). In addition, ETCO handles most of the administration, including the payment of wages, holiday pay and sick pay of the placement, with the host employer simply providing an invoice for the hours that the apprentice has completed (The Electrical Training Company Limited, 2006).

Three of the participants in our study belonged to the electrical sector and all of them had dealings with ETCO, with two regularly accepting placements of apprentices. Overall, the comments made by all three were favourable towards ETCO.

For instance, one employer found that the flexible structure of ETCO's placement programme suited the requirements of his business:

Well we used to take on apprentices, but find it is easier now to take Electrical Training Company apprentices which means that I can have apprentices for six months or nine months [or] as long as I like them; I can pick up a first, second, or third year apprentices – whichever I wish. Which I reckon is ideal (Electrical Services Contractor, North Island provincial centre).

Another respondent, whose son had done his electrical apprenticeship through ETCO, spoke in glowing terms about its programme and, in particular, praised the quality of the training that it provided to his son:

My son did his apprenticeship through ETCO and it was brilliant! He got a more varied work curriculum. I think he spent the first 18 months over at [a local dairy factory], he then went to [a local university] and his final 6 months at [a electrical products manufacturer]...he was on the bench fixing drives and things over there. It was better grounding in the trade than a lot of apprentices are getting by just wiring houses for 4 years non-stop; not doing other work as well (Electrical Contractor, North Island provincial centre).

The contractor went on to say:

...The ETCO Scheme] works brilliant...I think some of the other trades should perhaps be looking at the same thing.

As the employer states above, the training model employed by ETCO could be of benefit to other sectors. While the endorsements given by the two employers are insufficient in themselves to provide a convincing case in support of the overall efficacy of the ETCO programme it does appear to offer a possible solution to a number of problems raised by the employers in this study.

Firstly, the ETCO placement programme is designed to ensure that apprentices develop a broad range of skills

during the course of their training programme. However, the ETCO programme, by placing trainees with different employers during the course of their apprenticeships, also reduces the chances of a trainee becoming effectively de-skilled, whereby they learn only a narrow range of skills that are often usually related to the main activity of their host-employer. The ETCO model also addresses the concerns expressed by some respondents to this study about the growing trend towards tradespeople becoming over-specialised and, as a result, having only a limited range of skills. Here, respondents said that the main reason this was occurring was due to the overly narrow focus of the preparatory training that was being given to younger tradespeople.

Secondly, the ETCO model is structured so that host employers are able to contribute to the training of the next generation of tradespeople as well as have the opportunity to realise the benefits of the services of an apprentice. Furthermore, the ETCO model could be a more efficient solution to the payment of a subsidy as a measure in alleviating the cost barriers that many participants said served as a major impediment against greater employer involvement in the MA Scheme.

Thirdly, under the ETCO model, host-employers are not required to source apprentices - this is instead undertaken by ETCO. In addition, apprentices also have the chance to determine the type of working situation they would like to be involved in, and perhaps the firm they would like to work for, without having to risk despoiling their record of employment (which can occur if they happen to move to different employers over a relatively short period of time).

Lastly, the ETCO model is structured to minimise the administrative and organisational overheads normally associated with hosting an apprenticeship. These were cited by a number of respondents to this study as one of the reasons why many employers were cautious about participating in the apprenticeship programme.

Although the centralised model employed by ETCO may not suit all employers and it does depend on the efficiency of the ITO, it may provide an alternative to the way the current system of apprenticeship training is structured. Essentially, the ETCO model addresses many of the structural barriers identified by respondents to this study that are effectively hindering greater participation by employers in the MA Scheme. Furthermore, because it is a largely centralised model, it also provides a significant degree of accountability, which may prove attractive to decision makers at central government level, especially when they consider providing additional government funding for the MA Scheme.

Conclusion

This paper has highlighted a number of key themes that emerged from recent employer-based studies conducted under the LMDRP, in relation to apprenticeships in NZ. Among these themes was the insufficiency of apprenticeships on offer through the MA Scheme and the

cost-factors associated with hosting an apprenticeship which, particularly for small employers, were a major barrier to hosting apprenticeships. Many participants commented that offering financial assistance to those employers who hosted an apprenticeship would increase the rate of employer participation in the Scheme, lifting the number of apprenticeships on offer. Employers had varying views on the specifics of subsidisation but in general, strongly supported such a move.

Several employers from the electrical services industry talked about ETCO and its centralised system of managing and training apprentices. One of the employers, in addition to praising the ETCO system, particularly with the quality of training it organised for apprentices, went on to suggest that other trades might also benefit from adopting it as a model for the management and training of apprentices. This paper highlighted the ETCO case as a good practice model that provided insights in terms of the MA Scheme could be improved.

In conclusion, there is no doubt, that the MA Scheme and its resourcing regime requires re-examination if it is to address the needs of the contemporary labour market.

Future Research

The research reported here gives some indication of employer attitudes and experiences concerning the MA Scheme, and while there are a number of issues that require improvement according to those employers, this does not exhaust the challenges. In supply terms, recruiting school students for trades has become a significant issue. The attitudes and aspirations of teenagers, especially in relation to education and training, and the attractiveness of particular careers, is relatively unexplored in NZ. Employers tend to blame schools for the unattractiveness of trades, but there are a variety of other factors, including: the expansion of service employment requiring new skill sets; much greater numbers of school leavers going into tertiary institutions; and changing parental/school-leaver attitudes towards career options generally.

In terms of demand characteristics, the proportion of SMEs presents some major challenges. The engagement of SMEs in training generally, including the MA Scheme, requires innovative policy options and incentives.

Further, the economic transformation agenda released in November 2006 by the Labour-led government has highlighted the importance of management quality (Ministry of Economic Development 2006). ETCO provides one example of what is possible but different regions and industries require partnerships for customized solutions that acknowledge diverse requirements and drivers.

Finally, this research indicates that there are widely varying views about the role of government. The extent to which ownership of the MA Scheme should be devolved, to whom and the nature of partnerships all deserve greater attention for researchers.

References

- Baron, P. and McLaren, E.** (2006). *Overcoming Skill Shortages: Employer Perspectives and Strategies*, Research Report No. 4/2006, Labour Market Dynamics Research Programme, Massey University.
- Benson-Pope, D.** (2006). *More Industry Training Eases Skill Shortages*, New Zealand Government, 29 June 2006. Retrieved 29 September, 2006, online: www.beehive.govt.nz/ViewDocument.aspx?DocumentID=26301
- de Bruin, A., McLaren, E. and Spoonley, P.** (2005). *Labour Demand in a Tight Labour Market: a Survey of Employers*. Research Report Series 2/2005, Labour Market Dynamics Research Programme, Massey University.
- Engineering, Printing and Manufacturing Union.** (2005). *National Scrapped Apprenticeships, Says Trade Union*, 25 July 2005. Retrieved 29 September, 2006, online: www.epmu.org.nz/SITE_Default/news/Media_Archives/2005/2005_07_25_scrapped.asp
- ETCO - The Electrical Training Company Limited.** (2006). *Hosting Apprentices*. Retrieved 15 August 2006, online: www.etc.co.nz
- Ministry of Economic Development.** (2006). *Economic Transformation: Securing New Zealand's Future*. Wellington: MED.

Authors

- Anne de Bruin
Professor
Department of Commerce
Massey University
Private Bag 102-904
North Shore Mail Centre
Auckland
- Paul Spoonley
Regional Director
College of Humanities and Social Sciences
Massey University
Private Bag 102-904
North Shore Mail Centre
Auckland
P.Spoonley@massey.ac.nz
- Eva McLaren
Research Manager
Labour Market Dynamics Research Programme
College of Humanities and Social Sciences
Massey University
Private Bag 102-904
North Shore Mail Centre
Auckland
E.G.McLaren@massey.ac.nz
- Patrick Baron
Post Graduate Student
College of Humanities and Social Sciences
Massey University
Private Bag 102-904
North Shore Mail Centre
Auckland
history@baron.co.nz