



Rapid evaluation of a COVID-era apprentice wage subsidy program

The Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) programs

September 2024

Program background

The Boosting Apprenticeship Commencements (BAC) program was introduced in October 2020 to support businesses to take on Australian Apprentices during the COVID-19 pandemic. The BAC program provided a 50 per cent wage subsidy over 12 months from the date of commencement up to a maximum of \$7,000 per eligible apprentice or trainee (Australian Apprentice) per quarter. This wage subsidy was applied for employers of Australian Apprentices engaged between 5 October 2020 and 30 June 2022. The Completing Apprenticeships Commencements (CAC) program was announced as part of the 2021–22 Mid-Year Economic and Fiscal Outlook and provided a tapered wage subsidy of 10 per cent for the period 12–24 months from the date of commencement, and 5 per cent for the period 24–36 months from the date of commencement.

This rapid evaluation of the BAC and CAC programs was prepared by the Department of the Treasury for the Strategic Review of the Australian Apprenticeship Incentive System led by the Honourable Justice Iain Ross AO and Ms Lisa Paul AO PSM. The evaluation sought to answer 8 key questions related to the programs' impact on commencements and completions, the characteristics of the apprentices and employers that took part in the program, and the cost effectiveness of the programs. The evaluation was undertaken between April and July 2024.

Evaluation approach

This evaluation took a mixed-methods approach. The evaluation team analysed administrative data, built a time-series event study model of quarterly commencements, and built a probit model of an individual's likelihood of continuing their training. A time-series event study model of quarterly 'progressed commencements' was used to take into account the effects of cancellations (included in appendices). This analysis was supported by a review of the existing literature on wage subsidies for apprenticeships, and interviews with selected stakeholders.

Effects on Australian Apprenticeship commencements

Overall, the BAC program had a large positive effect on apprenticeship and traineeship (Australian Apprenticeship) commencements. There were about 191,000 (between 160,000–220,000) additional commencements during the 7 calendar quarters that the BAC program was open to entrants, compared to what modelling suggests would have been expected without BAC. This was an increase of about 70 per cent on the level of commencements that modelling suggests would have occurred in the absence of the BAC.

The increase in commencements was especially pronounced amongst non-trade occupations (114,000) but was also observed in trade occupations (77,000). Since a majority of priority occupations are trade occupations, the increase in commencements were also greater in non-priority occupations than priority occupations. The program also led to increased commencements among the key cohorts of women, First Nations people, culturally diverse people, people with a disability, and people over the age of 21. Additional commencements were higher in the first and last quarters of the BAC program. These patterns were broadly consistent across states.

Effects on completion rates

It is too soon to measure completion rates for the entire training program of the BAC/CAC Australian Apprentices, but cancellation rates at 18 months provide a proxy measure. Cancellation rates were higher for *non-trade* commencements (7% increase) during BAC, but slightly lower for trade commencements (0.7% decrease).

Evidence of ‘sharp practice’

A likely explanation for the elevated cancellation rates in non-trade apprenticeships was that many of these commencements may have been opportunistic, motivated more by the 50 per cent wage subsidy than by a genuine commitment from the employer and Australian Apprentice to pursue an Australian Apprenticeship. Interview participants reported that there was substantial ‘sharp practice’ where businesses converted existing workers to Australian Apprenticeships for the purpose of receiving the wage subsidy. Some of the observed sharp practice went far enough for some stakeholders to describe it as ‘rorting’. In response to these practices, the eligibility criteria were tightened for non-trade existing workers within the first few weeks of the program.

Costs and cost effectiveness

While the program achieved its intended outcome of increasing commencements, it did so at a significant cost. As of 31 March 2024, over \$7.5 billion in BAC and CAC wage subsidies had been paid. The full cost of these interventions is currently unknown as CAC payments will continue beyond June 2025. This represents a cost of approximately \$40,000 per additional commencement, and a forecast cost of approximately \$80,000 per additional completion.

Limitations

The evaluation teams’ estimates of the effects of the program on commencements and cancellation rates are based on econometric modelling that attempts to estimate what would have happened in the absence of the BAC and CAC programs. Inevitably, this modelling will not have captured all factors that influence the commencement or retention decisions of employers and Australian Apprentices. However, we are confident that the model gives a good approximation, and the remaining ‘bias’ in our estimates is small.

Another key caveat relates to the generalisability of the results. The BAC and CAC programs were implemented during a time of distinct uncertainty and tight labour market conditions, which may have acted to amplify or reduce the impact of these interventions. This means estimates of the effects might not be accurate in the context of a weaker labour market.

Lessons for the design of future policies

There are several lessons from the BAC and CAC programs that may be valuable for the design of future policies. The BAC program was implemented under tight timeframes during a time of distinct economic uncertainty, and so many of these lessons would not have been apparent at the time the BAC program was first designed and implemented. Given this context, it is particularly important that future policymakers learn from the BAC experience.

- **Lesson 1:** If incentive payments are increased substantially, anticipate the risk of sharp practice—behaviour that might be technically within the rules but either unethical or inconsistent with the program’s goals—and design eligibility criteria accordingly.
- **Lesson 2:** Recognise the risk of ‘growing pains’ for Service Providers, Registered Training Organisations (RTOs) and Regulators from a rapid, substantial increase in incentive payments.
- **Lesson 3:** Consider targeting incentives at specific occupations if doing so would help support the policy goals of the incentive program.
- **Lesson 4:** Incentive payments are likely to be more effective if they are regular and front-loaded in the early years of an Australian Apprentice’s training.
- **Lesson 5:** Even in times of crisis, rapid, targeted consultations can be valuable for finding an effective program design.
- **Lesson 6:** Be careful with placing a ‘cap’ on participation as caps are logistically difficult to administer and can cause a rush of businesses trying to secure capped places.
- **Lesson 7:** Clarify the program’s objectives as much as possible from the beginning, and use these objectives to help guide program design and implementation, external communication, and evaluation.

For further information

For the full report see: <https://evaluation.treasury.gov.au/publications/rapid-evaluation-covid-era-apprentice-wage-subsidy-program-boosting-apprenticeship>