

Making a difference or making a dollar? Intermediary organisations in apprenticeships

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In apprenticeship systems, intermediary organisations typically assist with recruitment and/or management of apprentices. This paper compares and contrasts the two major intermediary organisation types in apprenticeship systems in England and Australia. It focuses particularly on the way in which the organisations are funded, and the effects of funding on their operations. There has been very little research on intermediary organisations, and no prior international comparison. The encouragement of third party agencies has been a feature of governments wishing to expand apprenticeship systems; hence there is a need for evidence to inform governments' decision-making.

The paper is drawn from data gathered for a recent research project funded by the International Labour Organization, undertaken by desk review of documents including government-commissioned evaluation reports, analysis of intermediary organisations' web sites, and conversations with government personnel, peak bodies and other experts in the two countries, some of whom also assisted with validation. The paper draws out and analyses data specifically on Australia and England: in Australia, Group Training Organisations and Australian Apprenticeship Service Network providers; and in England, Group Training Associations and Apprenticeship Training Agencies.

It was clear that there were considerable differences in approach and ethos, both among and within the intermediary organisation types. Some had evolved organically, often in specific industry or geographical areas, but some had sprung into being to access financial opportunities, whether funded by government or, to a lesser extent, through fee-for-service opportunities afforded by government endorsement. Such evaluations as exist have highlighted some problems associated with profit-driven intermediaries, and the research has uncovered more such problems. The Australian 'AASN' providers, for example, are particularly profit-driven. The paper presents a framework for understanding intermediary organisations based on funding sources, and warns against 'contracting out' basic functions of apprenticeship to private providers.

Introduction

At their core, apprenticeships consists of a relationship between an employer and an apprentice. The nature of apprenticeships varies across the world. For example, in some countries apprentices are not actually employed; and may receive no payment, or just a stipend. In Australia, by contrast, apprentices and trainees receive relatively high rates of pay. Also, the length of an apprenticeship may vary from six months (e.g. Indonesia) to four years (e.g. traditional trade apprenticeships in Australia). In some countries, a qualification is gained; in others there is none (Smith, Brennan Kemmis *et al*, 2014).

As apprenticeship systems vary, so do structures set up to encourage the recruitment of more apprentices or to assist completion of apprenticeships. In many countries, intermediary organisations have been set up by government, by industry, or sometimes as independent bodies, for-profit or nor-for-profit, seeking to facilitate the initiation and/or conduct of

apprenticeships. The nature of these bodies varies from country to country and depending on particular needs. For example, in India ‘Third Party Agencies’ have recently been set up, designed to lift some of the heavy burden of paperwork and reporting from employers and to help employers claim the part-salary refund that they are able to claim from the government under recently-instituted provisions. In India the apprenticeship system is notoriously complex and bureaucratic (Smith, Brennan Kemmis *et al*, 2014). In the United States, many new intermediary organisations (Sullivan, 2016) have a focus on recruiting apprentices as the US system is in a growth phase following the directive of President Donald Trump.

In Australia, there has been a fair amount of literature on the role of Group Training Organisations, either directly about GTOs or as part of other studies (e.g. Smith 2010); but in general the literature on intermediary organisations is thin. International comparative studies on apprenticeships rarely mention them.

In the absence of guiding literature, the International Labour Organization in Geneva commissioned a discussion paper which was undertaken by the author of this paper. They requested a particular focus on Australia, England and India. In the early stages of the research it became apparent that India’s Third Party Agencies were very much in their infancy, with only 22 approved for the national register as of December 2018 (Ministry for Skills Development & Entrepreneurship, 2018). Hence this paper focuses on Australia and England.

This paper examines the purpose of intermediary organisations with an emphasis on the profit motive. It seeks to answer four questions

1. What are the nature, history and function of the two major types of apprentice intermediary organisation in Australia and England?
2. What are their sources of finance?
3. What is their profit orientation?
4. What are the effects on practice and implications for public policy?

Research method

The research project as a whole used three main sources of data: an analysis of the existing literature; the three country case studies; and analysis of relevant responses to a survey of G20 countries commissioned by the ILO in 2017-18. The country case studies were carried out by desk audit and used government and other reports, both those publicly available and those in the grey literature accessed via experts in each country, and analysis of web sites of intermediary organisations. The three sources of data were analysed together. The draft report was sent to experts in each country to validate the case studies.

This paper draws on the data from the case studies of Australia and England, using them to answer the four questions above. It is based on the desk review which included evaluations that were readily accessible and sometimes not so accessible, and also visiting the web sites of many intermediary organisations and peak bodies, as well as analysis of web-based government documents relating to contracts, tenders, and advice for intermediaries.. However, a limitation is the absence of empirical research in the project.

Findings

In this section the two types of intermediary organisations in each country are outlined, followed by an overview of the financing for all types (in both countries). The first two research questions are answered in this section.

Nature, history and function

Australia

In Australia there are two types of apprenticeships: ‘apprenticeships’ which are mainly in traditional manufacturing and craft trades, and newer ‘traineeships’ which are generally shorter and in non-trade areas. Intermediary organisations provide services for apprenticeships and traineeships alike, and in this paper the term ‘apprentice’ is taken to include ‘trainee’ except where indicated otherwise. There are two major types of specialist apprenticeship intermediary organisations: Group Training Organisations (GTOs), and Australian Apprenticeship Support Network providers, usually known as AASNs.

Group Training Organisations employ apprentices and ‘lease’ them to host employers. The GTO is the legal employer. GTOs provide support services to their employers and their apprentices. In a national review of Group Training, Hood, Fung, Smith, Bush & Ride (2007) found that GTOs employed disadvantaged groups, such as indigenous young people, to a greater extent than direct employers of apprentices did; and also that they often provided pre-employment training and advice to help ensure that apprentices succeeded in their jobs. GTOs have existed for over 40 years, and are not currently managed or funded by the national government, except that there are national standards with which they must comply in order to be on the national register. 10% of Australian apprentices and trainees are employed by GTOs; the proportion has been declining since 2000.

AASNs, in contrast, are contracted to, and funded by, the national government. They administer apprentice contracts and therefore their use is compulsory; no apprentice can commence without the involvement of an AASN. AASNs also provide a limited range of support services. AASNs were instituted in 2015, although there had been previous iterations with a narrower scope, known as New Apprenticeship Centres and then Australian Apprenticeship Centres. There are only 11 AASNs nationally, and hence they are large organisations with local branches; in some cases, many branches across Australia. There is a comprehensive national code of conduct for AASNs. An independent review of the new system (Ithaca Group, 2018) identified a number of challenges. Some of these related to the way in which the government was managing the system: there were said to be insufficient funds to operate, especially considering the geographical spread, leading to reduced service levels; the initial contract (three years) was too short, leading to an inability to attract and retain good staff; and the government had not collected data on the outcomes except for apprentice completions. The evaluation also found evidence of poor practice: Inappropriate ‘sign-ups’ that State governments had had to identify and cancel; Inconsistent expertise among staff; and apprentice issues being ignored because the AASN did not want to offend the employer. The government response to the review (Department of Education and Training [DET], 2018) did not address the latter points.

England

The English apprenticeship system also has two main types of intermediary organisations involved with apprenticeships: Group Training Associations (GTAs) which are basically training centres formed by groups of employers; and Apprenticeship Training Agencies (ATAs) which employ apprentices and ‘lease’ them to employers in the same way as Group Training Organisations do in Australia. There is some overlap between these types of organisation, with a small number of organisations holding both roles; and some also being Apprenticeship Training Providers.

Unlike Australian GTOs, whose name is somewhat misleading, Group Training Associations (GTAs) are actually organisations that provide training. Sometimes they complement college training and sometimes they provide all of the off-the-job training for apprentices (Institute of Education, 2012). Originally, GTAs operated mainly in the engineering and construction sectors, and these sectors are still the main focus of their business. There are 40 GTAs. The key strengths of GTAs are seen to be their evolution over time in specific locations; their trustworthiness; and their focus on specific skill areas (Unwin et al, 2012, p. 23). Some GTAs have a strong equity focus (Burge, Vasey, McQuade & Hardcastle, 2002).

Apprentice Training Agencies (‘ATAs’) recruit, employ and arrange training for apprentices on behalf of employers. Like Australian Group Training Organisations, on which they were modelled (LSIS, 2013b), ATAs function as the employer of the apprentice. Unlike GTAs, ATAs were recently introduced (2012) and were instituted by government rather than evolving naturally. They were introduced to help the government of the day achieve an ambitious target for apprenticeship expansion. ATAs are listed on a national register, having applied and met national guidelines; there are 114 ATAs currently. A critical article about ATAs (Robertson & Offord, 2016) suggested that apprenticeship ‘starts’ (commencements) through ATAs were low, only about 1300-1400 each year. The figures were disputed, however, by the then association of ATAs – the Confederation of Apprenticeship Training Agencies (CoATA). There is no publicly available evaluation of the performance and efficacy of ATAs.

Sources of finance in the two countries

Australian GTOs were formerly funded jointly by the national government with matching funding from State governments. The actual amount of Commonwealth funding, known as Joint Group Training Program (JGTP) funding, was very small, accounting for only about 1.5% of most GTOs’ turnover, the remainder of the GTO’s income being derived for ‘leasing’ apprentices, and from government financial incentives for employing apprentices. The JGTP funding ceased in 2015 with the advent of the AASN network. Some State governments provide some funding to GTOs, but this is often targeted to certain industry areas, type of apprentice (e.g. indigenous people), or types of employers (e.g. rural or remote).

Information about how individual AASNs are funded by the Australian government is not publicly available; it is stated to be ‘commercial in confidence’; the only available information is the total funding for the 11 providers, which amounts to \$190 million per year. The government pays the AASN 30 per cent of the total fee per apprentice on commencement and 70 per cent for the remainder of the apprenticeship, with extra payments available for each apprentice under specific circumstances.

English Group Training Associations are funded primarily from government contracts to deliver apprentice training. They may also undertake fee-for-service training for employers (Unwin et al, 2012). Typically their member companies provide board members for the GTA and the GTAs are non-profit. GTAs have a very small profit margin, and are said to find it difficult to purchase new training equipment.

ATAs in England are funded by payments from host employers for the apprentice’s services; these payments cover the wage agreed with the host (which must be at least the minimum apprentice rate) and also a management fee. It is not clear whether there is any government funding for Apprenticeship Training Agencies. Seven million pounds was provided by the National Apprenticeship Service in a pilot scheme, to establish the first ATAs (Robertson & Offord, 2016). It appears, however, from a guide to setting up an ATA (LSIS, 2013a: 20) that by 2013 no government funding was available. A report LSIS (2013b) discussed the difficulties for ATAs in maintaining a sustainable financial position. ATAs may, however, be eligible for government funding for other aspects of their activities. The advice provided in the guide to establishing an ATA reminds would-be ATAs that ATAs are a ‘high volume, low margin activity and that cash flow could be problematic.’

Analysis

This analysis section seeks to answer Research Questions 3 and 4, looking first at profit orientations among intermediary organisations, and then at the implications for practice and policy.

Profit orientation of intermediaries

The intermediary organisations in the two countries can be characterised as follows, by their main functions and also by their funding sources (Table 1)¹.

Table 1: Nature and funding source for intermediaries

Country	Primary focus on employing apprentices	Primary focus on training for groups of employers	Primary focus on ‘admin support’ for employers
Australia	Group Training Organisations (GTOs) <i>Little or no govt funding. Charge a fee to employers.</i>	-	Australian Apprenticeship Support Network providers (AASNs) <i>Govt-funded.</i>
England	Apprenticeship Training Agencies (ATAs) <i>No govt funding except in early pilot stage. Charge a fee to employers.</i>	Group Training Associations (GTAs) <i>No govt funding. Funded by government training funds.</i>	-

As can be seen, funding sources varied among the types of provider. Some apprenticeship intermediary organisations stood alone, while others were part of larger organisations which provided services which might be related to apprenticeship, or might not. Without government

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funding, where there was not the opportunity to self-fund fully through employers, intermediaries might even be subsidised, generally informally, by the other branches of an organisation, as has been reported to happen with some GTOs in Australia when they lost their funding. Advantages of combining the operations of the intermediary with other functions include the ability to share costs of central services such as payroll with the other functions, as was pointed out by a participant in the Unwin *et al* research (2012).

The research found that organisations which were for profit might receive government funding or might not. There was not a clear differentiation. A matrix was devised to represent funding and profit orientation (Table 2).

Table 2: Funding and profit orientation matrix

For profit, government funding	Not for profit, government funding
For profit, no government funding	Not for profit, no government funding

The effects on practice and implications for policy

Practice: Where financing was of primary importance to intermediaries, whether for survival or to meet government performance targets, the effect on practice was that behaviour was naturally targeted towards volume rather than service. In some cases, organisations’ appeal to employers were based not only on quality, cost effectiveness and good service, but also on meeting the employer’s own financial targets in relation to apprenticeships. An extract from the web site (below) of the English London Apprenticeship Company illustrates such an appeal.

The London Apprenticeship Company only do Apprenticeships. That’s it. We don’t do anything else. But we do everything ‘apprenticeship’ that you’ll ever need.

We can recruit apprentices for you; we can design apprenticeships that up-skill your existing employees; you can outsource your apprenticeship scheme to us and use our ‘fit-for-purpose’ apprentice payroll and HR; we’ll design, deliver and manage the training of your apprentices; we’ll coach and mentor them too; and we’ll make sure that you’ll recover 100% of your apprenticeship levy.

<http://www.londonapprenticeship.co.uk>

This advertisement is seemingly aimed at employers who might be worrying about having to meet the UK apprenticeship levy, which requires companies of a certain size to spend a certain amount on apprenticeships. The implications for employers are that employers should be wary about intermediaries selling themselves on self-interest rather than quality of service.

Policy: The most important policy question is whether or not to fund intermediary organisations. If intermediary organisations are government funded, there is potentially a great deal of effort involved in managing the system and in monitoring and auditing. The English system is an extreme amount of this. Detailed guidance was evidently seen as necessary for organisations wanting to become ATAs, including advice on basic business skills and a suggestion that they might want to take out a loan to start up!² . In such an environment, where

² <https://www.gov.uk/guidance/becoming-an-apprenticeship-training-provider>

organisations are expected to enter the field as novices and as profit-making ventures, it can be hard to avoid ending up with organisations which are either ‘inept or egregious’³. Even if the government only maintains a register and does not fund organisations, there is still a risk involved in endorsing organisations.

However, a lack of funding may result in insufficient leverage to ensure good practice or discourage malpractice. Funding of intermediaries, if governments do not choose to manage these organisations, does keep governments in touch with what is going on. The GTO network in Australia, when funded by governments, albeit to a very small extent, was seen as providing a ‘bellwether role’, keeping both Commonwealth and State governments in touch with apprenticeship developments on the ground (Bush & Smith 2007).

The research identified additional risks associated with government funding of organisations with other functions as well as apprenticeship intermediary services. As seen in the previous section, some intermediary organisations have a variety of other activities. The research found that those which also offered employment services posed very high risk both in terms of long-term viability as well as the possibility of corruption. The lowest risk organisations were those which were associated with an industry or trade union body. An example of a ‘high-risk’ intermediary is the Sarina Russo group in Australia. Already holding large government employment services contracts, the Sarina Russo group also operates as a national AASN provider. It services many areas on a ‘drive-in, drive-out’ bases without having local offices or staff. The only phone contact available to employers, apprentices, or indeed researchers, is via a call centre in Queensland. Information about the size of its contract with the Australian government is not available.

Perhaps the most important area of risk for governments is the outsourcing of essential apprenticeship operations to intermediary organisations. This happened in Australia with the outsourcing of apprentice contracting arrangements to AASNs, so that employers and apprentices must find and use them. If these intermediary organisations do not work well, for whatever reason, or are not trusted, the system is at serious risk. The government consultation paper on AASNs (DET, 2018) noted the decline in apprentice numbers as a problem for AASNs. It did not seem to realise that the institution of AASNs may have in itself contributed to the decline in apprentice numbers, as employers and apprentices had lost the local organisations with which they were familiar (New Apprenticeship Centres, which later became Australian Apprenticeship Centres).

Conclusion

The analysis in the paper presents the two aspects of apprenticeship intermediary organisations. They provide helpful services to employers and to apprentices, and in some cases are devoted to ‘making a difference’ in both economic and societal terms. The research showed this in relation particularly to GTOs in Australia and GTAs in England, as explained above. These organisations tend to be those with long histories and which are rooted in local areas or with a specific group of employers. But where government funding is handed out with little oversight, intermediaries’ focus can be on ‘making a dollar’. The topic of this paper has not been addressed in previous literature. While the analysis reported in this paper has developed some helpful frameworks to understand the topic and the policy issues, empirical research is needed

³ A term used by an official speaking at the ACDEVEG conference, 2018, to describe problems in another part of the Australian VET system

in organisations in the two countries to provide a more rounded picture. The empirical work needs to be specifically focused on the research questions in this paper.

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