

# Federal Budget 2020

## Challenges & Opportunities for RTOs



Student success starts with  
Learning Relationship Management

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# Key Messages

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Training providers need to adapt business models as JobKeeper is wound back.



The Job Maker Hiring Credit will be difficult for some employers to access.



Pivoting to apprenticeships and traineeships is a smart move.



Providers need to understand the interplay between measures.



Reaching JobTrainer clients will require new approaches.



VET Reform Agenda is moving quickly.

# A note from our CEO

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**It has been a challenging year** for RTOs with providers having to adapt their business to deal with the health impacts of Covid-19 and government policy responses to contain it.

JobKeeper has been a lifeline for many RTOs as restrictions were placed on delivery types and many of the usual referral channels dried up. In addition, new funding streams for priority skill sets helped some but were not available to all.

Now the challenge is to bridge the gap as the initial JobKeeper stimulus measures are wound back, new economic realities become apparent and the JobMaker and JobTrainer funding starts to flow.

It will be important for RTOs to understand the interplay of measures to determine the best advice for clients - both employers and potential students.

This is not a trivial exercise because there are a number of overlapping impacts, agendas and trends that are affecting the training market including:



**Ben Hamilton**

Wisenet: CEO & Co-Founder



- > Needing to have Covid-19 safe delivery options available if there are subsequent waves of the virus.
- ➡ **Get your elearning environment set-up so that you're prepared for various modes of course delivery.**
- > The increase in the demand for skills training as a result of the impact of health measures on the economy and economic recession that's resulted from them.
- > A comprehensive range of response measures funded by the state and federal governments' providing RTO clients with a number of competing and sometimes mutually exclusive programs of support.
- > The digitisation of government services and the "in-housing" of a significant proportion of Commonwealth employment and career programs.
- > Getting access to potential students where key pieces of system architecture are under rapid redevelopment due to the Skills Reform Agenda.



Thanks to JobKeeper many RTOs have been able to navigate the initial period of Covid-19 uncertainty by maintaining core contracts, implementing remote training strategies and having their payroll costs offset by government stimulus. As Jobkeeper is wound back RTOs will need to reorient their business models to scale up and optimise their role in the economic recovery.

Of the current 4,000 RTOs<sup>1</sup> in Australia currently 1,875<sup>2</sup> offer nationally recognised qualifications funded by government. During the recession any more may try and point their business to expanded government funded training programs as demand for commercial fee for service training declines.

The Morrison government has committed \$4b to maintain the apprenticeship system through two iterations of Supporting Apprentices and Trainees (SAT) for 90,000 employers of apprentices and trainees, covering and estimated 180,000 apprentices and trainees.<sup>3</sup>

1. There are 3,635 currently registered with ASQA and around 300 others using the Victorian and WA accreditation arrangements. See [Training.gov.au](https://training.gov.au) RTO search.
2. 2019 Productivity Commission Report of Government Services, section 5.
3. 2020-21 Federal Budget Portfolio Budget papers 1.4 Education, Skills and Employment

## Key Statistics

# \$2b

JobTrainer investment

# \$1.5b

Supporting apprentices and trainees

# \$1.2b

Boosting apprenticeship commencements

# 340,700

JobTrainer places

# 100,000

New apprentice and trainee wage subsidies

# 180,000

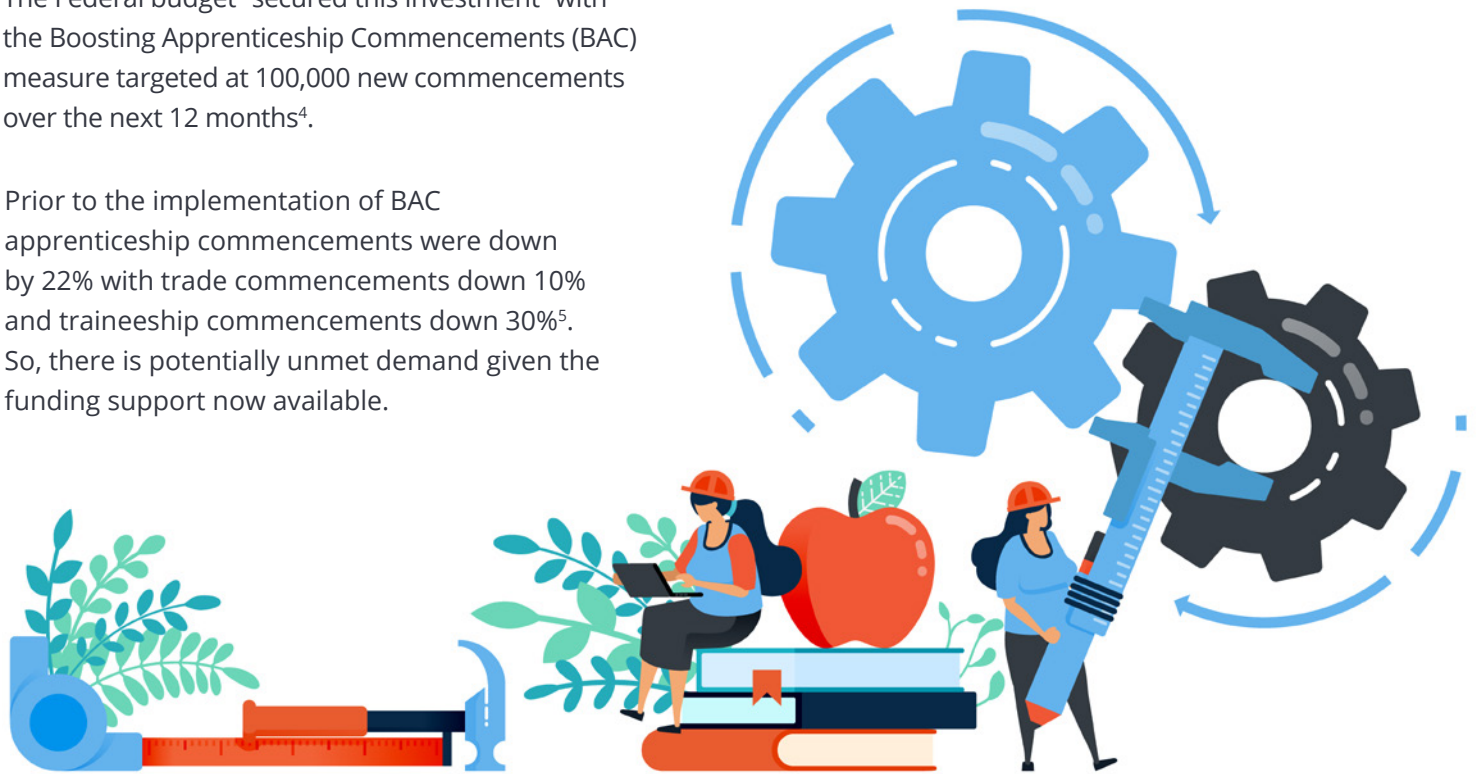
Existing apprentices and trainees supported

# Pivot to apprenticeships

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The Federal budget “secured this investment” with the Boosting Apprenticeship Commencements (BAC) measure targeted at 100,000 new commencements over the next 12 months<sup>4</sup>.

Prior to the implementation of BAC apprenticeship commencements were down by 22% with trade commencements down 10% and traineeship commencements down 30%<sup>5</sup>. So, there is potentially unmet demand given the funding support now available.



Once an apprenticeship has been activated it avoids the difficulty some RTOs have experienced with sourcing “work placements” where these are required in many full VET qualifications.

BAC has a primary focus to “support employers and GTOs to take on new apprentices and trainees to build a pipeline of skilled workers to support sustained economic recovery”<sup>6</sup>. It is not the reinvention of the Existing Worker Traineeship program but existing workers are potentially eligible where:

- > It’s an eligible trade apprenticeship started by an existing worker.
- > A casual worker moves to a part-time or full-time traineeship.
- > A part time worker moves to a full-time traineeship.
- > It’s under the cap of 30 existing workers per employer.



# Understanding the interplay of the recovery measures

The Department and State Training Authorities have an additional behind the scenes approval process for any existing worker traineeships proposed under BAC.

BAC is likely to be heavily subscribed because it is offered in addition to other payments available to employers under the Australian Apprenticeships Incentives Program. This includes the Additional Identified Skills Shortage program which doubles the standard incentives for employers and includes an incentive for eligible trade apprentices.

However, BAC cannot be claimed in conjunction with other wage subsidy programs such as the JobMaker Hiring Credit or the final stages of the JobKeeper arrangements.

The “additionality” requirements are simply that it is a new apprenticeship or traineeship commencement, which is significantly simpler than the JobMaker Hiring Credit additionality requirements.

The best way to access the training places that flow from BAC are:

- > Through an RTO’s enduring relationship with employers of apprentices and trainees - making them aware of the expanded support available.
- > By refreshing links with one or more of the Australian Apprenticeship Support Network (AASN) providers in the jurisdictions in which an RTO operates.
- > Working with Apprenticeship Network Providers (ANPs) to leverage the expanded Gateways services they can offer to assist with the recruitment process for an RTO’s employer clients.



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4. <https://docs.employment.gov.au/documents/boosting-apprenticeships-commencements-fact-sheet>  
5. National Australian Apprenticeships Association, Impact of Covid-19 on Apprenticeships  
6. AAIP Guidelines page 123

# Utilise JobTrainer

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There are 340,700 places available under the JobTrainer initiative<sup>7</sup>. They are co-funded by the Commonwealth and the States and implemented slightly differently by each of the jurisdictions. For example, NSW has a very comprehensive list of available courses offered under JobTrainer which it is administering through its existing Smart and Skilled arrangements.

Some jurisdictions have still to publish their approved courses under the program, and even when they do these can change as circumstances evolve. There are several challenges associated with this measure:

- > How to get on the approved list of providers if an RTO does not already have that status in a jurisdiction's contestable training market.

- > How to get access to potentially eligible students now that Stream A Jobseekers have been redirected to the Department's Online Employment Service making Jobactive referrals more difficult.
- > How to source work placements where this is a requirement of the full qualifications, and how to integrate them in a changing Covid-19 environment.

These are questions which every RTO will need to answer for themselves based on their particular business model. RTOs that have enduring relationships with their employer base and a strong positive reputation with their STA will be in a better position to resolve these issues.

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7. JobTrainer Fund see <https://www.dese.gov.au/jobtrainer-fund>

## Optimise extensions to current training programs

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The federal budget expanded or extended the following training programs<sup>8</sup>:

- > \$32m annual expansion of the Skills for Education and Employment (SEE) program.
- > The Youth Jobs PaTH Internship program has become demand driven rather than capped.
- > \$21.9m to expand the Transition to Work service and develop online training to increase job-ready skills.
- > \$5.7m to extend the eligibility for the New Enterprise Incentive Scheme.
- > A doubling of the Industry Workforce Training program to \$50m in the year ahead.

As well as \$15m for a new Foundations Skills for Your Future program and complemented by remote community pilots.

The details for how these extensions and expansions will occur will become available in the next month or so and RTOs that participate in these programs now are well placed to expand their activity in these areas.

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8. Federal Budget 2020-21, Budget Papers number 4, Education, Skills and Employment

# Commercial fee for service training

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Professional development training for staff needing to upskill or reskill that previously attracted Fringe Benefit's Tax will now become FBT free. This will reduce the cost and complexity of these types of programs.

It may enable companies to continue to fund them through the recession. This should provide some encouragement for the 60% of RTOs<sup>9</sup> that do not currently offer government funded training.

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9. Productivity Commission Report on Government Services 2019



# Adapting business models for the phasing out of government stimulus measures



There is also a requirement that new employees have been in receipt of unemployment benefits for at least 1 month in the previous three before starting.

➡ **Get Free CRM to manage new leads and conduct eligibility checks.**

This probably means that many employers will think they are eligible but turn out not to be. RTOs could assist with this process by referring JobTrainer course participants to employers so as to minimise the ineligibility of the new employee. If the employer cannot meet the additionality requirements the RTO could suggest that the new employee be engaged through an apprenticeship or traineeship making them eligible for the more generous Boosting Apprenticeship Commencements measure whilst places are available.

➡ **Keep data stored in Workplaces section in Wisenet and link them to Learner in order to track their progress.**

The Job Maker Hiring Credit has a number of interesting eligibility criteria including that the employer must be participating in **single touch payroll arrangements** which will then be used to verify the claims and additionality requirements.

➡ **Use native app Xero, which is a robust accounting software that covers both STP and integrates with learner invoicing on Wisenet.**

The additionality requirements are based on a September 30th, 2020 baseline but then shift quarterly as new staff are employed. It's based on headcount and not full-time equivalence<sup>10</sup> and the ATO will be administering the program learning the lessons from JobKeeper.



10. This could create eligibility issues as some employers shift from multiple part time staff to a model of fewer full-time staff.

# Understand the new skills architecture and link with it

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The budget contained funding allocations and measures to scale up both the National Skills Commission and the National Careers Institute.

The Commission already has a role to make recommendations to all jurisdictions about the types of courses that will best meet the emerging skills needs of the economy.

This month the National Careers Institute launched its new platform that includes:

- > The **Your Career** website at [yourcareer.gov.au](https://yourcareer.gov.au). The website supports people to make informed career decisions, including support to learn and train, get job ready and get career ideas.
- > The **School Leavers Information Kit**, which provides this year's school leavers with information about their education, training and employment options in 2021.

- > The **School Leavers Information Service** provides school leavers with phone, text or email support to navigate the School Leavers Information Kit, and to access and use the Your Career website. The service also offers a personalised career guidance session with a qualified career practitioner for up to 45 minutes, where needed.

A new contact centre was funded in the budget to operationalise the new service offering.

RTOs should explore the different ways of linking with the NCI to generate a flow of potential students.

RTOs should also monitor the activities of the NSC to anticipate the initiatives that will flow from their recommendations and anticipate changes in policy and purchasing settings.

# Final remarks

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The Covid-19 recession has prompted a massive investment in skills training as many RTOs expected would occur. At this point in time the challenges are to:

- > Get access to the majority of recently unemployed potential students as they engage in Online Employment Services, Self-referral via MySkills may not be enough.
  - > Link with the NCI and the Online Employment Services platform.
  - > Adapt service offerings to be Covid-19 safe and resilient to future waves of the virus.
  - > Plan how to operate in a post JobKeeper environment.
- ➡ **Make sure your website is updated and modernised to appeal to those who are conducting research after being referred by Online Employment Services! Is your website working hard enough? Order your free no-obligation website health check.**
- For the RTOs that manage these challenges the future will be secure with the potential of higher business levels for the foreseeable future.

## Key Actions

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Reconnect with the Australian Apprenticeship Support Network.



Develop new channels to attract Jobseekers to JobTrainer courses.



Move quickly to support clients to put on new apprentices and trainees.



Use the limitations of the Job Maker Hiring Credit to your advantage.



Understand how the end of JobKeeper will affect the financial performance of your clients.



Plan on an extended recovery period as multiple waves of the virus occur.

# About Wisenet

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Established in 1997, Wisenet is the market leader in Cloud applications for the vocational training sector in the APEC region.

With over 3 million records under management and over 5,000 users, Wisenet's integrated Cloud platform is designed to help training organisations manage risk and reputation, reduce business costs and grow revenues.

Wisenet was acquired by Adapt IT (JSE:ADI) in 2019 and has offices in Australia, Singapore, New Zealand and South Africa.

# About Adapt IT

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Adapt IT is a leader in the ICT market through the provision of specialised software solutions to the Education, Manufacturing, Energy, Financial Services, Communications and Hospitality sectors, employing over 1,000 technology professionals and servicing more than 1,000 customers in 53 countries.

The company is listed on the Johannesburg Stock Exchange (JSE:ADI). Adapt IT has offices in South Africa, Mauritius, Botswana, Ireland, Kenya, Australia, New Zealand and Singapore.

# Get in touch

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