

## EXPLANATORY STATEMENT

Issued by the authority of the Minister for Skills and Training

*Australian Apprenticeship Support Loans Act 2014*

*Australian Apprenticeship Support Loans Rules 2023*

### BACKGROUND

The *Trade Support Loans Act 2014* establishes the Trade Support Loans program, which presently aims to increase the number of people completing apprenticeships leading to priority trade occupations by providing financial support to eligible people to assist them with the costs of living and learning while undertaking an apprenticeship. This is achieved by offering eligible people concessional income contingent loans (up to a lifetime maximum of \$24,492 for the 2023-24 income year), which are paid back when the taxable income of the person reaches the repayment threshold. For the 2023-24 income year, the compulsory repayment threshold is \$51,550.

On 23 November 2023, the Governor-General fixed, by Proclamation, 1 January 2024 as the day on which the *Trade Support Loans Amendment Act 2023 (Amendment Act)* commences. The Amendment Act will expand the Trade Support Loans program to people undertaking apprenticeships and traineeships leading to a broader range of priority occupations, including non-trade occupations in, for example, the aged care, disability support and childcare sectors. To reflect this expansion, the program will be renamed the Australian Apprenticeship Support Loans program.

### PURPOSE AND OPERATION

The purpose of *Australian Apprenticeship Support Loans Rules 2023 (these rules)* is to:

- repeal and largely remake the *Trade Support Loans Rules 2014* (which are currently made under the Trade Support Loans Act) before 1 October 2024, when subsection 50(1) of the *Legislation Act 2003* would automatically repeal them;
- reflect minor changes in policy from the positions contained in the Trade Support Loans Rules, including to remove a requirement for a person who is undertaking a qualification in the horticulture sector that was specified on the TSL Priority List or is specified on the Australian Apprenticeships Priority List to be working in a rural or regional area;
- reflect changes in terminology that the Amendment Act will make to the Trade Support Loans Act (such as the change from the expression ‘trade support loan’ to the expression ‘Australian apprenticeship support loan’); and
- prescribe, for the purposes of subsection 10(1A) of the Trade Support Loans Act as amended by the Amendment Act (the ***Australian Apprenticeship Support Loans Act 2014*** or the **Act**), the circumstances in which the Secretary may allow a later day for a person to make an application for Australian apprenticeship support loan.

These rules will operate to support the delivery of the Australian Apprenticeship Support Loans program.

These rules also set out some transitional arrangements for a person who, before the commencement of these rules:

- was undertaking a qualification leading to an occupation or qualification that was specified on the TSL Priority List; or
- was undertaking a qualification in the horticulture sector specified on the TSL Priority List and was not working in a rural or regional area.

The *Australian Apprenticeship Support Loans (Australian Apprenticeships Priority List) Determination 2023* sets out other transitional arrangements.

## **CONSULTATION**

The Department consulted with the Australian Taxation Office (**ATO**), which plays an important role in administering the Australian Apprenticeships Support Loans program, in relation to these rules (particularly in relation to Part 4 of these rules). No further consultation was considered necessary for the purposes of making these rules because:

- the changes in the policy effected in these rules from the positions contained in the Trade Support Loans Rules are minor and largely administrative in nature; and
- the decision to make the minor changes in policy effected in these rules was reached having had regard to stakeholder views that were obtained before the originating bill to the Amendment Act was introduced to the Parliament. Those views were obtained by way of the Honourable Steven Joyce's 2018 'Strengthening Skills: Expert Review of Australia's Vocational Education and Training System' (in December 2023, this review could be accessed at: [www.pmc.gov.au/publications/strengthening-skills-expert-review-australias-vocational-education-and-training-system](http://www.pmc.gov.au/publications/strengthening-skills-expert-review-australias-vocational-education-and-training-system)), the Productivity Commission's 2021 Skills and Workforce Development study report (in December 2023, this report could be accessed at: [www.pc.gov.au/inquiries/completed/skills-workforce-agreement/report](http://www.pc.gov.au/inquiries/completed/skills-workforce-agreement/report)), surveys of apprentices, trainees and employers that the Department undertook in late 2021, and National Centre for Vocational Education Research projects.

## **IMPACT ANALYSIS**

An impact analysis related to the reforms the Amendment Act will implement appears as an appendix to this explanatory statement. The reforms relevant to the Amendment Act and these rules are summarised on page 31 of that analysis.

The Impact Analysis Office was consulted on the other policy positions these rules effect and advised that they are unlikely to have a more than minor impact (OIA23-06077 refers).

## STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

### ***Australian Apprenticeship Support Loans Rules 2023***

This disallowable legislative instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### **Overview of this disallowable legislative instrument**

The *Trade Support Loans Act 2014* establishes the Trade Support Loans program, which presently aims to increase the number of people completing apprenticeships leading to priority trade occupations by providing financial support to eligible people to assist them with the costs of living and learning while undertaking an apprenticeship. This is achieved by offering eligible people concessional income contingent loans (up to a lifetime maximum of \$24,492 for the 2023-24 income year), which are paid back when the taxable income of the person reaches the repayment threshold. For the 2023-24 income year, the compulsory repayment threshold is \$51,550.

On 23 November 2023, the Governor-General fixed, by Proclamation, 1 January 2024 as the day on which the *Trade Support Loans Amendment Act 2023* will commence. The Trade Support Loans Amendment Act will expand the Trade Support Loans program to people undertaking apprenticeships and traineeships leading to a broader range of priority occupations, including non-trade occupations in, for example, the aged care, disability support and childcare sectors. To reflect this expansion, the program will be renamed the Australian Apprenticeship Support Loans program.

The purpose of this disallowable legislative instrument is to:

- repeal and largely remake the *Trade Support Loans Rules 2014* (which are currently made under the Trade Support Loans Act) before 1 October 2024, when subsection 50(1) of the *Legislation Act 2003* would automatically repeal them;
- reflect minor changes in policy from the positions contained in the Trade Support Loans Rules, including to remove a requirement for a person who is undertaking a qualification in the horticulture sector that was specified on the TSL Priority List or is specified on the Australian Apprenticeships Priority List to be working in a rural or regional area;
- reflect changes in terminology that the Trade Support Loans Amendment Act will make to the Trade Support Loans Act (such as the change from the expression ‘trade support loan’ to the expression ‘Australian apprenticeship support loan’); and
- prescribe, for the purposes of subsection 10(1A) of the Trade Support Loans Act as amended by the Trade Support Loans Amendment Act (the ***Australian Apprenticeship Support Loans Act 2014*** or the **Act**), the circumstances in which the

Secretary may allow a later day for a person to make an application for Australian apprenticeship support loan.

This disallowable legislative instrument will operate to support the delivery of the Australian Apprenticeship Support Loans program.

These rules also set out some transitional arrangements for a person who, before the commencement of these rules:

- was undertaking a qualification leading to an occupation or qualification that was specified on the TSL Priority List; or
- was undertaking a qualification in the horticulture sector specified on the TSL Priority List and was not working in a rural or regional area.

The *Australian Apprenticeship Support Loans (Australian Apprenticeships Priority List) Determination 2023* sets out other transitional arrangements.

### **Human rights implications**

This disallowable legislative instrument engages the following rights:

- the right to work;
- the right to education; and
- the right to privacy.

#### Right to work

Article 6 of the International Covenant on Economic, Social and Cultural Rights (**ICESCR**) states that States Parties will recognise the right to work (which includes the right of everyone to the opportunity to gain their living by work which they freely choose or accept) and to take appropriate steps to safeguard that right.

That article sets out the steps States Parties must take to achieve the full realisation of the right to work, including providing technical and vocational guidance and training programs, policies and techniques to achieve steady economic, social and cultural development, and full and productive employment under conditions safeguarding fundamental political and economic freedom to the individual. The obligation to fulfill the right to work requires States Parties to, among other things, take positive measures to enable and assist individuals to enjoy the right to work and to implement technical and vocational education plans to facilitate access to employment.

This disallowable legislative instrument engages the right to work because it operates to support the delivery of the Australian Apprenticeship Support Loans program. The Australian Apprenticeship Support Loans program will allow more people to, amid rises in the cost of living and learning, access immediate financial support to help them undertake apprenticeships and traineeships to gain a living by work they freely choose. The Australian Apprenticeship Support Loans program also represents a positive measure to facilitate access to employment.

### Right to education

Article 13 of the ICESCR states that secondary education in its different forms, including technical and vocational secondary education, shall be made generally available and accessible to all by every appropriate means, and in particular by the progressive introduction of free education. Further, technical and vocational education as facilitated by States Parties should enable students to acquire knowledge and skills which contribute to their employability and enhance their productivity.

This disallowable legislative instrument engages the right to education because it operates to support the delivery of the Australian Apprenticeship Support Loans program. The Australian Apprenticeship Support Loans program will allow more people to, amid rises in the cost of living and learning, access immediate financial support to enable them to acquire knowledge and skills which contribute to their employability and enhance productivity. The Australian Apprenticeship Support Loans program also represents a positive measure to further the availability and accessibility of technical and vocational secondary education.

### Right to privacy

Article 17 of the International Covenant on Civil and Political Rights (**ICCPR**) states that no one shall be subjected to arbitrary or unlawful interference with their privacy, nor to unlawful attacks on their reputation, and that every person has the right to the protection of the law against such interference or attacks.

This disallowable legislative instrument engages the right to privacy by effectively creating a requirement for a person to disclose certain personal information, within the meaning of the *Privacy Act 1988*, to the Commissioner if a person has a debt incurred under section 27 of the Act and:

- is leaving Australia with the intention of remaining outside Australia for at least 183 days;
- has been outside Australia for at least 183 days in any 12 month period but was not required to notify the Commissioner as such when the person left Australia; or
- is a foreign resident.

Personal information required to be disclosed to the Commissioner includes:

- the person's name;
- the person's date of birth; and
- the person's contact details, including the person's email address and telephone number.

This disallowable legislative instrument may limit the right to privacy by requiring such a person to disclose such information to the Commissioner. Limitations on the right to privacy must be authorised by law and must not be arbitrary.

To the extent that the right to privacy is limited by requiring a person to disclose such information to the Commissioner, this is provided for in the Act and in this disallowable legislative instrument and is therefore authorised by law.

Interference with privacy will be arbitrary where the relevant measures are not in accordance with the provisions, aims and objectives of the ICCPR and are not reasonable in the particular circumstances. A measure that interferes with privacy will be reasonable if it is based on reasonable and objective criteria and the interference allowed by the measure is proportionate to the purpose for which the measure has been adopted.

The purpose of requiring a person to disclose such information to the Commissioner is to assist the Commissioner to recover debts incurred under section 27 of the Act. This measure is proportionate given the limits placed on the right to privacy are balanced by safeguards in the Privacy Act around the collection, use and disclosure of personal information.

### **Conclusion**

This disallowable legislative instrument is compatible with human rights because it promotes the protection of human rights and, to the extent that it may limit human rights, those limitations are reasonable, necessary and proportionate.

**Minister for Skills and Training, the Hon Brendan O'Connor MP**

## EXPLANATION OF PROVISIONS

### Part 1—Preliminary

#### Section 1 Name

1. Section 1 provides that these rules are the *Australian Apprenticeship Support Loans Rules 2023*.

#### Section 2 Commencement

2. Section 2 provides for the commencement of each provision in these rules, as set out in the table in subsection 2(1). The table provides that the whole of the instrument commences at the same time the Amendment Act commences or at the start of the day on the day after these rules are registered, whichever occurs later.

#### Section 3 Authority

3. Section 3 provides that these rules are made under the *Australian Apprenticeship Support Loans Act 2014*.
4. Subsection 106(1) of the Act will provide that the Minister may, by legislative instrument, make rules prescribing matters:
  - required or permitted by the Act to be prescribed in the rules; or
  - necessary or convenient to be prescribed for carrying out or giving effect to the Act.
5. The Trade Support Loans Rules are currently made under subsection 106(1) of the Trade Support Loans Act. The Trade Support Loans Rules were registered on the Federal Register of Legislation on 18 July 2014, meaning that subsection 50(1) of the Legislation Act would automatically repeal them on 1 October 2024. Consistent with subsection 33(3) of the Acts Interpretation Act, these rules repeal and largely remake the Trade Support Loans Rules. Subsection 33(3) of the Acts Interpretation Act provides that, where an Act confers a power to make, grant or issue any instrument of a legislative character (including rules), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend or vary any such instrument.
6. The only provision in these rules that does not relate to a provision in the Trade Support Loans Rules is section 10, which is discussed in greater detail below. Section 10 of these rules relies on the power in new subsection 10(1A) of the Act, which will commence on 1 January 2024 in accordance with the Amendment Act.

7. These rules, including section 10, are being made in advance of the Amendment Act commencing, consistent with section 4 of the *Acts Interpretation Act 1901*.

#### **Section 4 Definitions**

8. Section 4 defines expressions that are used in these rules. A note at the beginning of section 4 explains that several expressions used in these rules are defined in section 5 of the Act.
9. Many of the expressions section 4 defines are discussed in greater detail below. For example:
  - the definition of **'in gaol'** is explained in the context of section 7 of these rules;
  - the definitions of **'Australian Qualifications Framework'** and **'National Register'** are explained in the context of section 8 of these rules;
  - the definitions of **'approved training contract'**, **'training contract'**, **'provisional commencement date'**, **'commencement date'** and **'recommencement date'**, **'provisional training contract'** and **'approved training contract'** are explained in the context of section 9 of these rules; and
  - the definition of **'ATO Occupation Code'** is explained in the context of section 20 of these rules.
10. The expression 'month' is not defined in these rules. Section 2G of the Acts Interpretation Act deals with the meaning of 'month' and includes examples of when a month starts and ends. For example, in these rules:
  - a month starting on 15 December in a year ends immediately before 15 January in the next year; or
  - a month starting on 31 August in a year ends at the end of September in that year (because September is the calendar month coming after August and does not have 31 days).
11. The expression 'Department' is not defined in these rules. Section 19A of the Acts Interpretation Act relates to interpreting a reference to a Department in an Act.

#### **Section 5 Schedules**

12. Section 5 provides that each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its term. Schedule 1 to this instrument repeals the Trade Support Loans Rules.

### **Part 2—Qualification and Payability**



## Division 1—Introduction

### Section 6 Simplified outline of this Part

13. Section 6 provides a simplified outline of Part 2. This Part deals with certain matters relating to a person's qualification for Australian apprenticeship support loan, as well as with certain matters relating to the payability of Australian apprenticeship support loan to a person.

## Division 2—Qualification

### Section 7 Other conditions

14. Section 7 provides, for the purposes of section 7 of the Act, that the other condition a person must meet to be qualified for Australian apprenticeship support loan is that the person is not in gaol.
15. The expression '**in gaol**' is defined in section 4 of these rules as having the same meaning as in the *Social Security Act 1991*. Subsection 23(5) of the Social Security Act provides that, for the purposes of that Act, a person is 'in gaol' if:
  - the person is being lawfully detained (in prison or elsewhere) while under sentence for conviction of an offence and not on release on parole or licence; or
  - the person is undergoing a period of custody pending trial or sentencing for an offence.
16. The Australian apprenticeship support loans program aims to increase the number of people completing apprenticeships and traineeships leading to priority occupations by providing financial support to eligible people to assist them with the costs of living and learning while undertaking an apprenticeship or traineeship. A person who is in gaol is not qualified for Australian apprenticeship support loan because a person who is in gaol does not have the same costs of living as someone who is not in gaol.

### Section 8 Qualifying apprenticeship

17. Subsection 8(1) provides that, for the purposes of subparagraph 8(2)(a)(i) of the Act, level 3, level 4, level 5 and level 6 in the Australian Qualifications Framework are prescribed.
18. '**Australian Qualifications Framework**' is defined in section 4 of these rules as having the same meaning as in the *VET Student Loans Act 2016*. Section 6 of the VET Student Loans Act provides that 'Australian Qualifications Framework' means the framework for recognition and endorsement of qualifications:

- that is established by the Council consisting of the Ministers for the Commonwealth and each State and Territory responsible for higher education; and
- that is to give effect to agreed standards in relation to the provision of education in Australia;

as in force from time to time.

19. In December 2023, the Australian Qualifications Framework could be accessed at: [www.aqf.edu.au/framework/australian-qualifications-framework](http://www.aqf.edu.au/framework/australian-qualifications-framework).
20. The qualification type for level 3 in the Australian Qualifications Framework is a Certificate III. The qualification type for level 4 in the Australian Qualifications Framework is a Certificate IV. The qualification type for level 5 in the Australian Qualifications Framework is a Diploma. The qualification type for level 6 in the Australian Qualifications Framework is an Advanced Diploma.
21. The Trade Support Loans Rules prescribed, for the purposes of subparagraph 8(2)(a)(i) of the Trade Support Loans Act:
  - Certificate level III or IV for occupations on the TSL Priority List; and
  - Certificate level II, III or IV for qualifications leading to occupations on the TSL Priority List.
22. The change from the prescription in these rules from the Trade Support Loans Rules reflects differences between the TSL Priority List (which was made under the Trade Support Loans Act and which the Amendment Act effectively caused to lapse) and the Australian Apprenticeships Priority List, which is made under subsection 105(1) of the Act. The TSL Priority List specified occupations for which, and qualifications leading to occupations for which, in the opinion of the Minister, skilled persons were a priority. The Australian Apprenticeships Priority List just specifies, for the purposes of paragraph 105(1)(a) of the Act, occupations for which, in the opinion of the Minister, skilled persons are a priority.
23. Subsection 8(2) provides that, for the purposes of paragraph 8(2)(b) of the Act, the qualification the person is undertaking through the apprenticeship must be a qualification that is included on the National Register.
24. '**National Register**' is defined in section 4 of these rules as having the same meaning as in the *National Vocational Education and Training Regulator Act 2011*. The National

Vocational Education and Training Regulator Act provides that ‘National Register’ means the register maintained by the Department, or another person prescribed by the regulations, and referred to in section 216 of that Act. In December 2023, the National Register could be accessed at: [www.training.gov.au](http://www.training.gov.au).

25. The effect of section 8, read with the Act and the Australian Apprenticeships Priority List, is that, for a person to be undertaking a qualifying apprenticeship, the person must be undertaking an apprenticeship or traineeship through which the person is undertaking a qualification:
- at level 3, level 4, level 5 or level 6 in the Australian Qualifications Framework;
  - that is included on the National Register; and
  - that leads to an occupation specified on the Australian Apprenticeships Priority List.

**Section 9      Circumstances in which a person is, or is not, taken to be undertaking a qualifying apprenticeship**

26. Section 9 prescribes the circumstances in which a person is, or is not, taken to be undertaking a qualifying apprenticeship.
27. A person is taken to be undertaking a qualifying apprenticeship in the period beginning at a time set out in paragraph 9(2)(a) and ending at a time set out in paragraph 9(2)(b).
28. Paragraph 9(2)(a) provides that this period begins at the start of the day on:
- if the person does not have an approved training contract—the person’s provisional commencement date; or
  - if the person has a commencement date—that day; or
  - if the person has a recommencement date—that day;

as notified to the Secretary or the Department by a designated State/Territory training authority.

29. The expressions ‘**approved training contract**’, ‘**provisional commencement date**’, ‘**commencement date**’ and ‘**recommencement date**’ are all defined in section 4 of these rules.
30. ‘Approved training contract’ means a training contract that has been approved by a designated State/Territory training authority. Section 4 of these rules defines ‘**training contract**’ as a written agreement between an employer and a person for the person to

be employed in an apprenticeship or traineeship. The expression ‘training contract’ has meaning in state and territory laws relating to apprenticeships and traineeships. In practice, once the authority of a State or Territory that is responsible for training contracts has approved a person’s training contract, the State or Territory will notify the Department of both the approval and the person’s commencement date.

31. ‘Provisional commencement date’ means the day on which a person is taken to have commenced employment under a provisional training contract, as specified in the provisional training contract. Section 4 of these rules defines ‘**provisional training contract**’ as a training contract that has been submitted to, but not yet been approved by, a designated State/Territory training authority. In practice, a person who wishes to undertake an apprenticeship or traineeship and the person’s employer complete a written agreement for the person to be employed in an apprenticeship or traineeship and then the person submits it to the authority of the State or Territory (in the State or Territory in which the person resides) that is responsible for approving training contracts. The day the person and the person’s employer intend for the provisional training contract to commence is always in the provisional training contract.
32. ‘Commencement date’ means the day on which a person is taken to have commenced employment under an approved training contract.
33. ‘Recommencement date’ means the day on which a person is taken to have:
  - recommenced employment under an existing approved training contract; or
  - commenced employment under a new approved training contract to continue undertaking an incomplete qualifying apprenticeship.
34. In practice, a person might complete part of a qualifying apprenticeship before taking a break from that apprenticeship or traineeship. The length of time that constitutes a ‘break’ in an apprenticeship or traineeship is determined, and notified to the Department, by a designated State/Territory training authority.
35. For example:
  - Person A resides in Adelaide, South Australia, and has an approved training contract with Employer 1. Person A completes 12 months of a qualifying apprenticeship with Employer 1 before, on 1 February 2024, leaving their employment with Employer 1 to travel overseas. The authority responsible for approving training contracts in South Australia notifies that the Department that Person A is no longer undertaking a qualified apprenticeship in South Australia. Several months later, after Person A returns to Adelaide, they

recommence their employment with Employer 1 under the existing approved training contract. Person A's 'recommencement date' is the day that Person A recommenced employment with Employer 1 under the existing approved training contract. The South Australian authority responsible for approving training contracts notifies the Department that Person A's recommencement date is 30 September 2024.

- Person B resides in Brisbane, Queensland, and has an approved training contract with Employer 2. Person B completes 24 months of a qualifying apprenticeship with Employer 2 before, on 5 July 2024, they leave their employment with Employer 2 to relocate to Canberra, Australian Capital Territory, so that they can reside closer to family. The Queensland authority responsible for approving training contracts notifies the Department that Person B is no longer undertaking a qualified apprenticeship in Queensland. Person B completes a new provisional training contract with Employer 3 and submits that contract to the Australian Capital Territory authority responsible for approving training contracts. On 12 July 2024, the Australian Capital Territory authority approves the contract and notifies the Department of the person's recommencement date. On 15 July 2024, Person B commences employment with Employer 3 under a new approved training contract. The 10 day period between Person B ending their apprenticeship with Employer 2 and starting their employment with Employer 3 is considered to be a break in the apprenticeship. The Australian Capital Territory authority notifies the Department that Person B's recommencement date is 15 July 2024.

36. Paragraph 9(2)(a) operates to ensure that a person is taken to be undertaking a qualifying apprenticeship as soon as the person commences employment in such an apprenticeship or traineeship.
37. Once a training contract becomes an approved training contract, the Department adjusts the person's provisional commencement date to the person's commencement date (or recommencement date, if applicable). If the person's provisional commencement date is a different date to their commencement or recommencement date, the person's instalment periods will be calculated from the person's commencement or recommencement date (rather than from the person's provisional commencement date).
38. Paragraph 9(2)(b) provides that the period in which a person is taken to be undertaking a qualifying apprenticeship ends at the end of the day on the day:
  - the person successfully completes the qualifying apprenticeship; or

- if the person has an approved training contract—the person is no longer undertaking the qualifying apprenticeship; or
- a designated State/Territory training authority decides not to approve a person’s provisional training contract;

as notified to the Secretary or the Department by a designated State/Territory training authority.

39. Paragraph 9(2)(b) operates to ensure that a person is taken not to be undertaking a qualifying apprenticeship as soon as they cease employment in that apprenticeship or traineeship, by virtue of one of the circumstances in subparagraph 9(2)(b)(i) to (iii) occurring.
40. Subsection 9(3) provides that, if, apart from that subsection, a person would be taken to be undertaking more than one qualifying apprenticeship:
  - the person is taken to be undertaking only one qualifying apprenticeship; and
  - the person may nominate, in the person’s application for Australian apprenticeship support loan under section 13 of the Act, which of those apprenticeships or traineeships should be taken to be the person’s qualifying apprenticeship.
41. Subsection 9(3) operates to ensure that a person cannot be qualified for Australian apprenticeship support loan for each apprenticeship or traineeship the person is completing (as some people undertake one or more apprenticeships/traineeships at the same time). The aim of this provision is, as with other provisions in the Act, to minimise the risk of a person accumulating large amounts of debt incurred under section 27 of the Act.
42. If a person does not nominate, in the person’s application for Australian apprenticeship support loan under section 13 of the Act, which apprenticeship or traineeship should be taken to be the person’s qualifying apprenticeship, then the intent is that the Secretary or their delegate would instead select which apprenticeship or traineeship is taken to be the qualifying apprenticeship.
43. A note at the end of section 9 explains that section 30 of these rules sets out transitional arrangements for a person who, before the commencement of these rules, was undertaking a qualification in the horticulture sector specified on the TSL Priority List and was not working in a rural or regional area.

### **Division 3—Payability**

## **Section 10     Circumstances in which the Secretary may allow a later day**

44. Section 10 prescribes, for the purposes of subsection 10(1A) of the Act, that the Secretary may allow a later day for a person to make an application for Australian apprenticeship support loan in circumstances that:
- are beyond the person’s control; and
  - make it impracticable for the person to make an application for Australian apprenticeship support loan on or before the final day of the instalment period.
45. Subsection 10(1A) of the Act is a new subsection that will commence on 1 January 2024. The purpose of that subsection is to improve the accessibility of the Australian Apprenticeship Support Loans program. Section 10 of these rules is broadly drafted to allow the Secretary to consider an array of circumstances which may, in the Secretary’s view, justify an ‘out of time’ application. The Secretary will decide whether these circumstances exist and therefore whether a person may make an out of time application.
46. The Secretary might allow a person to make an out of time application if, for example:
- a person asked their Australian Apprenticeships Support Network (**AASN**) provider to send them an application form for Australian apprenticeship support loan, and the AASN provider sent the form to an incorrect postal or email address, meaning the person was unable to make an application before the final day of the person’s instalment period. The Department contracts AASN providers to assist in the administration of the Australian apprenticeship support loan program.
  - a person is admitted to hospital with a serious medical condition and, because of this, is unable to make an application for Australian apprenticeship support loan before the final day of the person’s instalment period.

## **Section 11     Instalment period**

47. Subsection 11(1) prescribes, for the purposes of paragraph 10(2)(a) of the Act, that the first instalment period of a person starts on:
- if the person does not have an approved training contract—the person’s provisional commencement date; or
  - if the person has a commencement date—that day; or
  - if the person has a recommencement date—that day.

48. Subsection 11(1) also prescribes that the day on which each subsequent instalment period of a person starts is the day that is a month from the day the previous instalment period starts. A note at the end of subsection 11(1) explains that subsection 2G(1) of the Acts Interpretation Act deals with the meaning of ‘month’.
49. Subsection 11(2) prescribes that, for the purposes of paragraph 10(2)(b) of the Act, the duration of an instalment period of a person is a month.
50. For example:
- Person C, who resides in Darwin, completes a provisional training contract with Employer 4 and submits that contract to the Northern Territory authority that is responsible for approving training contracts. The Northern Territory authority approves the training contract and notifies the Department that the person’s commencement date is 15 April 2024. The first instalment period of Person C starts on 15 April 2024 and ends on 14 May 2024. The second instalment period of Person C starts on 15 May 2024 and ends on 14 June 2024. On 1 July 2024, Person C makes an application for Australian apprenticeship support loan and, on 8 July 2024, the Secretary makes a determination granting that application with effect from 1 July 2024. The first ‘relevant instalment period’ of Person C starts on 15 June 2024 and ends on 14 July 2024. The first instalment of Australian apprenticeship support loan is paid to Person C on 15 July 2024.
  - on 8 February 2024, the Tasmanian authority responsible for approving training contracts notifies the Department that, on 31 January 2024, Person D, who resides in Hobart, recommenced a qualifying apprenticeship with Employer 5. The first instalment period of Person D starts on 31 January 2024 and ends on 28 February 2024. The second instalment period of Person D starts on 29 February 2024 and ends on 30 March 2024. On 2 July 2025, Person D makes an application for Australian apprenticeship support loan, and, on 9 July 2025, the Secretary makes a determination granting that application with effect from 2 July 2025. The first ‘relevant instalment period’ of Person D starts on 30 June 2025 and ends on 30 July 2025. The first instalment of Australian apprenticeship support loan is paid to Person D on 31 July 2025.
  - on 18 July 2024, Person E, who resides in Melbourne, Victoria, completes a provisional training contract with Employer 6 and submits that contract to the Victorian authority that is responsible for approving training contracts. The provisional training contract specifies 3 July 2024 as the day on which Person E is taken to have commenced employment under that contract. On 19 July 2024, Person E makes an application for Australian apprenticeship support loan and, on the same day, the Secretary makes a determination granting that



application with effect from the provisional commencement date of 3 July 2024. On 3 August 2024, an instalment of Australian apprenticeship support loan is paid to Person E for the period starting on 3 July 2024 and ending on 2 August 2024 (the first 'relevant instalment period'). On 20 August 2024, the Victorian authority approves the training contract and notifies the Department that Person E's commencement date is 20 July 2024. The Department adjusts Person E's instalment periods so that the periods are calculated from 20 July 2024 (rather than from 3 July 2024).

## **Section 12 Special case qualification and payability**

51. Subsection 11(1) of the Act provides that if:

- an amount is paid to a person as an instalment period of Australian apprenticeship support loan in relation to an instalment period of the person; and
- apart from section 11 of the Act, some or all of the amount is not payable to the person in relation to the instalment period; and
- the Secretary determines that subsection 11(1) of the Act applies to the person;

then:

- the amount that was paid to the person is taken to have been an instalment of Australian apprenticeship support loan; and
- the person is taken to have been qualified for Australian apprenticeship support loan, and Australian apprenticeship support loan is taken to have been payable to the person, in relation to the instalment period.

52. Subsection 12(1) prescribes, for the purposes of subsection 11(2) of the Act, the circumstances in which the Secretary is to determine that subsection 11(1) of the Act is, or is not, to apply to a person. The effect of subsection 12(1) is that the Secretary is to determine that a person is qualified for Australian apprenticeship support loan in respect of loan payments the person continued to receive after the person or the designated State/Territory training authority notifies the Secretary of a change in circumstances that would affect the payability of the Australian apprenticeship support loan. This reflects that:

- it is the Department's responsibility to ensure any notifications of changed circumstances are actioned promptly and appropriately; and

- it is not appropriate that a person be negatively impacted if there is a delay in the Department actioning information it receives regarding changed circumstances.

53. For example:

- Person F successfully completes a qualifying apprenticeship and the designated State/Territory training authority has notified the Department accordingly. However, the Department doesn't act on this information until two weeks later. The next instalment of Australian apprenticeship support loan falls due in the intervening two weeks and is paid to Person F. Because the Department was aware that Person F had successfully completed their apprenticeship at the time the instalment of Australian apprenticeship support loan was paid to Person F, the Secretary may, in these circumstances, determine that Person F is qualified for Australian apprenticeship support loan for the entire instalment period despite the operation of subparagraph 9(2)(b)(i) of these rules.
- A designated State/Territory training authority decides not to approve Person G's provisional training contract and notifies the Department of this. After that time, an instalment of Australian apprenticeship support loan is paid to Person G. The Secretary may, in these circumstances, determine that Person G is qualified for Australian apprenticeship support loan for the entire instalment period despite the operation of subparagraph 9(2)(b)(iii) of these rules.

54. Subsection 12(2) confirms that subsection 12(1) of these rules does not limit the circumstances in which the Secretary may determine that subsection 11(1) of the Act does, or does not, apply to a person.

### **Part 3—Applications, determinations, payment and designated State/Territory training authorities**

#### **Section 13 Simplified outline of this Part**

55. Section 13 provides a simplified outline of Part 3. This Part deals with certain matters relating to applications, determinations and payment. This Part also prescribes designated State/Territory training authorities.

#### **Section 14 Manner of lodgement for applications**

56. Section 14 operates to effectively require a person to lodge an application for Australian apprenticeship support loan (this applies both if the person is making an initial application for Australian apprenticeship support loan and if the person is

making a subsequent application to ‘opt in’ to continue receiving Australian apprenticeship support loan) either:

- in person; or
- by mail; or
- by email; or
- electronically through a website or computer program made available by the Department for that purpose (such as the Apprenticeships Data Management System).

57. A person may not lodge an application in any other manner.

### **Section 15 Period to be specified in determinations**

58. Section 15 prescribes, for the purposes of subsection 16(3) of the Act, that a determination granting an application for Australian apprenticeship support loan is only to specify up to six relevant instalment periods.

59. Section 15 operates to effectively require a person who wishes to continue receiving instalments of Australian apprenticeship support loan to reapply (or ‘opt in’) every six months for a further six instalments. This aims to minimise the risk of a person accruing a large debt unintentionally.

### **Section 16 Determining year of apprenticeship**

60. Section 16 prescribes, for the purposes of subsection 24(2) of the Act, the way of determining, on any particular day, what year of an apprenticeship or traineeship a person is undertaking. To determine this, tally the total number of months of a qualifying apprenticeship that the person has completed and work out the year of the apprenticeship or traineeship using the table in section 16. If a person:

- has completed one to 12 months of a qualifying apprenticeship, the person is in the first year of the apprenticeship or traineeship;
- has completed 13 to 24 months of a qualifying apprenticeship, the person is in the second year of the apprenticeship or traineeship;
- has completed 25 to 36 months of a qualifying apprenticeship, the person is in the third year of the apprenticeship or traineeship;
- has completed 37 or more months of a qualifying apprenticeship, the person is in the fourth year of the apprenticeship or traineeship.

61. The Australian Apprenticeship Support Loans Program is structured so that loan amounts are higher in the early years of an apprenticeship or traineeship to compensate for lower wages. Working out what year of an apprenticeship or

traineeship a person is undertaking is relevant to this, as demonstrated by the following table (the yearly rate amounts shown in the table have been calculated in accordance with sections 24 and 99 of the Act).

| <b>Year of apprenticeship</b> | <b>Proportion of lifetime limit</b> | <b>Yearly rate of loan (2023-24 income year)</b> | <b>Amount of instalment</b> |
|-------------------------------|-------------------------------------|--|-----------------------------|
| First year                    | 40 per cent                         | \$9,796.80                                       | \$816.40                    |
| Second year                   | 30 per cent                         | \$7,347.60                                       | \$612.30                    |
| Third year                    | 20 per cent                         | \$4,898.40                                       | \$408.20                    |
| Fourth year                   | 10 per cent                         | \$2,449.20                                       | \$204.10                    |

## **Section 17 Designated State/Territory training authorities**

62. Section 17 prescribes, for the purposes of subsection 40(3), that a designated State/Territory training authority is the authority of a State or Territory that is responsible for approving training contracts. In December 2023, the following State or Territory authorities were responsible for approving training contracts:

- in the Australian Capital Territory, Skills Canberra;
- in New South Wales, Training Services NSW;
- in the Northern Territory, the Chief Executive Officer of the Department of Industry Tourism and Trade;
- in Queensland, the Department of Youth Justice, Employment, Small Business and Training;
- in South Australia, the South Australian Skills Commission;
- in Tasmania, Skills Tasmania;
- in Victoria, Victorian Registration and Qualifications Authority; and
- in Western Australia, the Department of Training and Workforce Development’s Apprenticeship Office.

## **Part 4—Overseas debtor repayments**

### **Division 1—Introduction**

#### **Section 18 Simplified outline of this Part**

63. Section 18 provides a simplified outline of Part 4. This Part provides for how to work out a person’s foreign-sourced income for an income year, as well as the content of certain notices to be given to the Commissioner.

### **Division 2—Foreign-sourced income**

#### **Section 19 Working out a person’s foreign-sourced income**

64. AASL debts are repaid through the taxation system. Compulsory repayments are made at the same repayment rates and income thresholds as other study and training loans, including Higher Education Loan Program loans and VET Student Loans program loans.
65. An overseas debtor's repayment obligation is based on their assessed worldwide income. Foreign-sourced income is relevant to working out an overseas debtor's assessed worldwide income. For example, in the 2023-24 income year, Person H earns Australian-sourced repayment income as well as non-resident foreign-sourced income. These two amounts (converted into Australian currency) form Person H's total assessed worldwide income. The total repayment obligation on Person H's assessed worldwide income is the assessed worldwide income x the applicable repayment rate. Person H has earned over the minimum repayment income in Australia, so the compulsory repayment component of Person H's repayment is determined as follows:

- repayment income x the applicable repayment rate = compulsory repayment.

The overseas levy raised on Person H's worldwide income is calculated as follows:

- total repayment obligation – compulsory repayment = Person H's overseas levy.

66. Section 19 prescribes, for the purposes of subsection 47B(2) of the Act, that three methods may be used to work out a person's foreign-sourced income for an income year. The three methods are:
- the 'simple self-assessment method' (see section 20 of these rules);
  - the 'overseas assessed method' (see section 21 of these rules); and
  - the 'comprehensive tax-based method' (see section 22 of these rules).
67. Only one of the three methods may be used to work out a person's foreign-sourced income for an income year.
68. An overseas debtor may choose which of the three methods should be used to work out the person's foreign-sourced income for an income year. The overseas debtor should nominate their chosen method in a notice given to the Commissioner under subsection 47C(3) of the Act. If a person does not nominate a chosen method in that notice, then the simple self-assessment method may be used to work out the person's foreign-sourced income for the income year.

## **Section 20    The simple self-assessment method**

69. Section 20 prescribes the simple self-assessment method. The simple self-assessment method involves an overseas debtor notifying the Commissioner of the person's gross (pre-tax) foreign-sourced income and the occupation from which the person derived most of that income. The Commissioner then applies a standard deduction against the person's gross foreign-sourced income based on the nominated occupation by reference to the '**ATO Occupation Code**'.
70. Section 4 of these rules defines 'ATO Occupation Code' as the document entitled 'Salary and wage occupation codes 2023' that the Australian Taxation Office published in 2023. In December 2023, the ATO Occupation Code could be accessed at: [www.ato.gov.au/forms/Salary-and-wage-occupation-codes-2023](http://www.ato.gov.au/forms/Salary-and-wage-occupation-codes-2023).
71. If an occupation is not listed in the ATO Occupation Code, then the deduction is nil.

## **Section 21 The overseas assessed method**

72. Section 21 prescribes the overseas assessed method. Under the overseas assessed method, a person's foreign-sourced income is the amount that is equal to the person's taxable income according to the most recent tax assessment completed by a taxation authority of a foreign country. The assessment completed by that authority must be for a period of 12 months, even if income was not earned for the whole 12 months.
73. Subsection 21(2) limits when the overseas assessed method can be used. The overseas assessed method cannot be used if any of the following scenarios apply:
- the period to which the most recent tax assessment (by the taxation authority of the relevant foreign country) does not overlap with the relevant income year. This is to ensure that overseas debtors report their income for a period of time that is as closely aligned as possible with an income year.
  - multiple assessments of the person's income have been made during the income year by different foreign countries.
  - the most recent assessment (by the taxation authority of the relevant foreign country) has already been used to work out the person's foreign-sourced income for a previous income year.
74. If no tax was payable because the foreign income is below the foreign country's tax threshold, the overseas assessed method is still available provided there is an income assessment.
75. Where a foreign tax assessment covers a 12 month period that starts on a date that is not 1 July (for example, the period might start on 1 April and end on 31 March, or

might start on 1 January and end on 31 December), that 12 month period is taken to be the overseas debtor's income for the income year.

76. For example, Person I has resided and worked in New Zealand for two years. Person I has two tax assessments from the taxation authority in New Zealand. One assessment covers the period starting on 1 April 2023 and ending on 31 March 2024. The other covers a period starting on 1 April 2024 and ending on 31 March 2025. Person I chooses to use the overseas assessed method to work out their foreign-sourced income for the 2024-25 income year. As the earlier New Zealand assessment (1 April 2023 to 31 March 2024) does not overlap with the 2024-25 income year, the later New Zealand assessment (1 April 2024 to 31 March 2025) must be used to work out Person I's foreign-sourced income. The income recorded in the later New Zealand assessment is taken to be Person I's foreign-sourced income for the income year starting on 1 July 2024 and ending on 30 June 2025.

## **Section 22 The comprehensive tax-based assessment method**

77. Section 22 prescribes the comprehensive tax-based assessment method. Under the comprehensive tax-based assessment method, a person's foreign-sourced income is the difference between the person's gross (pre-tax) foreign income and the total amount of deductions that the person would have claimed in accordance with the Australian taxation law.
78. The comprehensive tax-based assessment method ensures that the option is available for foreign-sourced income to be assessed in accordance with the Australian taxation law.
79. For example, Person J is a small business owner who resides in Canada. Person J chooses to use the comprehensive tax-based assessment method to work out their foreign-sourced income for the 2023-24 financial year. For the purposes of the Australian taxation law, Person J earned personal services income. Person J's foreign-sourced income is the difference between their gross Canadian income and the total amount of deductions that they would have claimed in accordance with the Australian taxation law.

## **Section 23 Converting foreign-sourced income into Australian currency**

80. Section 23 prescribes how to convert foreign-sourced income into Australian dollars. The rate of conversion is the average exchange rate for the Australian income year to which the assessment relates.

81. For example, if a person uses the overseas assessed method to work out the person's foreign-sourced income for the 2023-24 income year, the rate of exchange is the average rate between 1 July 2023 and 30 June 2024.
82. The ATO maintains a foreign income conversion calculator for use in conversing foreign income into Australian dollars. In December 2023, this calculator could be accessed at: [www.ato.gov.au/calculators-and-tools/income-foreign-income-conversion-calculator](http://www.ato.gov.au/calculators-and-tools/income-foreign-income-conversion-calculator). For currencies not available in the calculator, average exchange rates published by a reasonable source, such as a bank, may be used.

### **Division 3—Notices to be given to the Commissioner**

#### **Section 24 Notices relating to leaving Australia**

83. Subsection 47C(1) of the Act requires a person who:
- has an accumulated AASL debt that has not yet been discharged (paragraph 47C(1)(a); and
  - leaves Australia (other than circumstances specified in the rules) with the intention of remaining outside of Australia for at least 183 days (paragraph 47C(1)(b);

to, no later than seven days after leaving Australia, give a notice to the Commissioner in the approved form.

84. Subsection 24(1) prescribes, for the purposes of subsection 47C(4) of the Act, the content of notices required to be given to the Commissioner under subsection 47C(1) of the Act. Such a notice must contain:
- the person's name; and
  - the person's date of birth; and
  - if known—the person's intended country of residence; and
  - if known—the person's contact details, including the person's email address and telephone number.
85. Subsection 24(2) prescribes, for the purposes of paragraph 47C(1)(b) of the Act, that a person is not required to give to the Commissioner a notice under subsection 47C(1) of the Act if the person gave a notice under that subsection in relation to a previous departure from Australia and, since giving that notice, the person has not been an Australian resident. For example, Person K resides in South Africa but visits Australia to attend a family member's wedding. Person K remains a foreign resident for tax purposes and Person K had given to the Commissioner a notice under subsection



47C(1) of the Act when Person K first moved from Australia to South Africa. Person K does not need to notify the Commissioner that they are leaving Australia when they return to South Africa after attending the wedding.

## **Section 25 Notices relating to absence from Australia**

86. Subsection 47(2) of the Act requires a person who:

- has an accumulated AASL debt or otherwise has an AASL debt that has not yet been discharged; and
- has been outside Australia for at least 183 days in any 12 month period; and
- was not required under subsection 47C(1) of the Act to give a notice to the Commissioner in connection with that absence from Australia;

to, no later than seven days after the end of those 183 days, give a notice to the Commissioner in the approved form.

87. Section 25 prescribes, for the purposes of subsection 47C(4) of the Act, the content of notices required to be given to the Commissioner under subsection 47C(2) of the Act. Such a notice must contain:

- the person's name; and
- the person's date of birth; and
- the person's country of residence; and
- if known—the person's contact details, including the person's email address and telephone number.

88. This reflects that a person's plans may change after the person leaves Australia. For example, a person who initially leaves Australia to travel overseas may end up choosing to reside and work in a location that the person initially only intended to visit for a brief period, taking the time the person has been outside Australia for to over 183 days.

## **Section 26 Notices relating to income (including foreign-sourced income)**

89. Subsection 47C(3) of the Act requires a person who:

- is a foreign resident; and
- on 1 June immediately preceding an income year, had an accumulated AASL debt;

to give to the Commissioner, in the approved form, a notice relating to the person's income (including foreign-sourced income) for the income year.

90. Subsection 26(1) prescribes, for the purposes of subsection 47C(4) of the Act, the content of notices required to be given to the Commissioner under subsection 47C(3) of the Act. Such a notice must contain:
- the person's name; and
  - the person's date of birth; and
  - the person's country of residence; and
  - unless subsection 26(2) applies—the person's occupation; and
  - unless subsection 26(2) applies—the amount of the person's income (including foreign-sourced income) for the income year; and
  - unless subsection 26(2) of this section applies—the method the person used to work out their foreign-sourced income; and
  - if the overseas method was used and unless subsection 26(2) applies—the person's identification used for tax purposes by the taxation authority of a foreign country that made the assessment of the person's income.
91. Subsection 47(3) of the Act requires notices relating to income to be given with the period specified in the approved form. It is envisaged that this period will correspond with Australian taxation law requirements about the lodgement of tax returns, and so a person would be required to give such a notice to the Commissioner on or before 31 October. As a note at the end of subsection 47(3) of the Act explains, the Commissioner may allow a person to give this notice at a later time.
92. Subsection 26(2) provides that a notice may not contain the content in paragraphs 26(1)(d), (e), (f) and (g) if:
- the person's income (including foreign-sourced income) for the income year is no more than 25 per cent of the minimum repayment income for that income year; and
  - the notice the person gives to the Commissioner includes a declaration to that effect.
93. The purpose of subsection 26(2) is to allow low-income earners to notify the Commissioner, in the approved form, that the person's income is no more than 25 per cent of the minimum repayment income for an income year. Subsection 26(2) is not intended to operate to exempt a person from the requirement to give to the Commissioner a notice in the approved form but is instead intended to operate to simplify the content of the notice, making it easier for a low-income earner to comply with the requirement.

94. For example, Person L resides in the United Kingdom and studies full-time. Person L works casually as a tutor and earns the equivalent of \$10,500 AUD in the period starting on 1 April 2023 and ending on 31 March 2024. The minimum repayment income for the 2023-24 income year is \$51,550 (25 per cent of which is \$12,887.50). This means the content of the notice Person L gives to the Commissioner under subsection 47(3) of the Act only needs to contain:

- Person L's name;
- Person L's date of birth; and
- Person L's country of residence (the United Kingdom).

## **Section 27 Approved forms**

95. Section 27 clarifies that Division 3 of Part 4 of these rules does not affect the Commissioner's power under section 388-50 in Schedule 1 to the *Tax Administration Act 1953* to require additional content to be included in the approved form of a notice under section 47C of the Act.

## **Part 5—Transitional provisions**

### **Section 28 Simplified outline of this Part**

96. Section 28 provides a simplified outline of Part 3. This Part deals with transitional matters.

### **Section 29 Transitional—pre commencement apprenticeships**

97. Subsection 106(2) of the Act provides that, without limiting subsection 106(1) of the Act, these rules may prescribe matters of a transitional nature (including prescribing any saving or application provisions) arising out of changes to the rules or changes to the administration of Australian apprenticeship support loan. Section 29 prescribes a transitional arrangement arising out of changes to the administration of the Australian Apprenticeship Support Loans program.

98. Subsection 7(3) of the TSL Priority List, which is made for the purposes of subsection 105(4) of the Act, currently prescribes that, where a qualification is removed from the TSL Priority List and the Secretary has:

- made a determination granting a person's application for trade support loan that is in effect; or
- previously made a determination granting the person's application for trade support loan;

the person can continue to make subsequent applications for trade support loan for subsequent instalment periods for that qualification for the remainder of their apprenticeship (including any recommencement), and the person will be taken to have satisfied subparagraph 8(2)(a)(ii) of the Act.

99. These policy positions are reflected in section 8 of the Australian Apprenticeship Support Loans (Australian Apprenticeships Priority List) Determination and item 164 of Schedule 1 to the Amendment Act.

100. Section 29 of these rules expands further on those positions. If:

- before the commencement of these rules, a person was undertaking, on the person's commencement date, an apprenticeship through which the person was undertaking a qualification:
  - at a level prescribed by the Trade Support Loans Rules; and
  - leading to an occupation or a qualification that was specified on the TSL Priority List; and
  - which met any other requirements prescribed by the Trade Support Loans Rules;
- after the commencement of these rules, the occupation or qualification is not specified on the Australian Apprenticeships Priority List;

the Act has effect, in relation to the person, as if the occupation or qualification were specified on the Australian Apprenticeships Priority List.

101. For example, 'signwriter' is an occupation specified on the TSL Priority List. On 16 January 2023, Person M begins undertaking an apprenticeship through which Person M is undertaking a qualification leading to an occupation as a signwriter. On 1 January 2024, the TSL Priority List lapses and the Australian Apprenticeship Support Loans (Australian Apprenticeships Priority List) Determination commences. 'Signwriter' is not specified in Part 2 of that determination as an occupation for which skilled persons are a priority. In March 2024, Person M, who has never received an instalment of Australian apprenticeship support loan, is still undertaking the same apprenticeship and makes an application for Australian apprenticeship support loan. Because subsection 29(2) provides that the Act has effect, in relation to Person M, as if 'signwriter' was specified on the Australian Apprenticeships Priority List, Person M is still taken to be undertaking a qualifying apprenticeship.

102. This expanded policy position is intended to ensure that a person who was qualified for Australian apprenticeship support loan when they commenced an apprenticeship remains qualified for Australian apprenticeship support loan provided that the person

is still undertaking that apprenticeship. This will ensure people can continue to access the Australian apprenticeship support loans program to assist them with the cost of living and learning.

### **Section 30 Transitional—pre-commencement rural or regional apprenticeships in the horticulture sector**

103. Section 30, which is made for the purposes of subsection 106(2) of the Act, prescribes a transitional arrangement arising out of changes to the rules. Item 166 of Schedule 1 to the Amendment Act is also relevant. That item provides that, without limiting subsection 106(1) of the Act, rules made under subsection 106(1) of the Act may prescribe matters of a transitional nature (including prescribing any saving or application provisions) arising out of the Act made by that Schedule.
104. Section 7 of the Trade Support Loans Rules provides that, for the purposes of paragraph 8(2)(b) of the Act, where a person is undertaking a qualification in the horticulture sector, as prescribed in the TSL Priority List, the person must also be working in a rural or regional area. ‘Rural or regional area’ is defined in section 4 of the Trade Support Loans Rules to mean a suburb with a postcode listed in Schedule 1 to those rules.
105. That requirement is removed in these rules, so section 29 prescribes matters of a transitional nature for a person who:
- before the commencement of these rules, was undertaking an apprenticeship through which the person was undertaking a qualification in the horticulture sector specified on the TSL Priority List; and
  - before the commencement of these rules, while undertaking the apprenticeship, was not working in a rural or regional area; and
  - after the commencement of these rules, is undertaking the same apprenticeship; and
  - after the commencement of these rules, while undertaking the same apprenticeship, is not working in a rural or regional area.
106. But for section 29, a person undertaking such a qualification who was not, in 2023 or earlier, working in a rural or regional area would, in 2024 or later, become qualified for Australian apprenticeship support loan. Section 29 operates to ensure that such a person continues to not be qualified for Australian apprenticeship support loan unless the person relocates to a rural or regional area.
107. For example:

- In July 2023, Person N was working in Landsdale, Western Australia, and was undertaking an apprenticeship through which Person N was undertaking an Australian Qualifications Framework level 4 qualification in ‘Retail Nursery’ (National Register code: AHC40710), a qualification specified on the TSL Priority List. The postcode for Landsdale, a suburb in the Perth metropolitan region, is 6065. That postcode is not listed in Schedule 1 to the Trade Support Loans Rules so, in 2023, Person N was not qualified for trade support loan. In January 2024, Person N is still undertaking the same apprenticeship leading to the AHC40710 qualification and is still working in Landsdale. The operation of section 29 means that, in January 2024, Person N is still not qualified for Australian apprenticeship support loan.
- In February 2024, Person N is working in Stake Hill, Western Australia, and is still undertaking the same apprenticeship leading to the AHC40710 qualification. The postcode for Stake Hill, a suburb in the Peel region, is 6181. That postcode is listed in Schedule 1 to the Trade Support Loans Rules. This means that, in February 2024, Person N is qualified for Australian apprenticeship support loan.

## **Schedule 1—Repeals**

### ***Trade Support Loans Rules 2014***

#### **Item 1            The whole of the instrument**

108. Item 1 of Schedule 1 repeals the whole of the Trade Support Loans Rules. This is because one of the purposes of these rules is to repeal and largely remake the Trade Support Loans Rules before 1 October 2024, when subsection 50(1) of the Legislation Act would automatically repeal them.

# APPENDIX



Australian Government  
Department of Education,  
Skills and Employment

## Australian Apprenticeship Incentives System Reform

Regulation Impact Statement



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## Glossary

|                |   |
|----------------|---|
| AAIP           | Australian Apprenticeships Incentives Program                 |
| AAIS           | Australian Apprenticeships Incentive System                   |
| AASN           | Australian Apprenticeship Support Network                     |
| AAWS           | Australian Apprenticeship Wage Subsidy                        |
| ABS            | Australian Bureau of Statistics                               |
| ADMS           | Apprenticeships Data Management System                        |
| AIHW           | Australian Institute of Health and Welfare                    |
| AISS           | Additional Identified Skills Shortage Wage Subsidy            |
| ANZ            | Australia and New Zealand Banking Group Limited               |
| ANZSCO         | Australian New Zealand Standard Classification of Occupations |
| ASbA           | Australian School-based Apprenticeship                        |
| ASQA           | Australian Skills Quality Authority                           |
| ATO            | Australian Taxation Office                                    |
| BAC            | Boosting Apprenticeship Commencements Wage Subsidy            |
| CAC            | Completing Apprenticeship Commencements Wage Subsidy          |
| CPI            | Consumer Price Index  |
| DAAWS          | Disability Australian Apprentice Wage Support                 |
| FFSP           | Financial Framework (Supplementary Powers)                    |
| GTO            | Group Training Organisation                                   |
| IAA            | Incentives for Australian Apprenticeships Program             |
| ITS            | In-Training Support   |
| IVI            | Internet Vacancy Index  |
| LAFHA          | Living Away From Home Allowance                               |
| NASWD          | National Agreement for Skills and Workforce Development       |
| NCVER          | National Centre for Vocational Education and Research         |
| NSA            | National Skills Agreement                                     |
| NSC            | National Skills Commission                                    |
| NSNL           | National Skills Needs List                                    |
| OECD           | Organisation for Economic Cooperation and Development         |
| Priority List  | Australian Apprenticeships Priority List                      |
| RBA            | Reserve Bank of Australia                                     |
| RTO            | Registered Training Organisation                              |
| SAT            | Supporting Apprentices and Trainees Wage Subsidy              |
| SPL            | Skills Priority List  |
| SSON           | Skills Senior Officials' Network                              |
| STA            | State/Territory Training Authority                            |
| The Department | Department of Education, Skills and Employment                |
| TSL            | Trade Support Loans   |
| TtW            | Transition to Work  |
| TYIMS          | Training and Youth Internet Management System                 |
| VET            | Vocational Education and Training                             |



## Executive Summary

The training and qualifications gained through Australian Apprenticeships are vital to developing the highly skilled workers that are essential to the future of the Australian labour force. Australian Government investment in the apprenticeships sector for both employers and apprentices is needed to support the uptake of apprenticeships and to support completions.

This Regulation Impact Statement (RIS) provides policy options for Australian Government action to improve the Australian Apprenticeships system. It focuses on how the Department implements the Australian Government's commitment to ensure there is a pipeline of skilled apprentices and trainees in priority occupations to support and grow the economy.


Prior to the introduction of COVID-19 response measures to support the apprenticeships system, the number of Australian Apprentices commencing and completing an apprenticeship or traineeship had been in decline. This contributed to persistent skills shortages in priority occupations across the economy. Key issues with the pre-COVID-19 apprenticeship incentives system (the Australian Apprenticeships Incentives Program (AAIP)) included:

- Incentives were not targeted to meet skill shortages;
- Costs remained high and were increasing for both the employer and the apprentice;
- Incentives did not focus on the decision maker;
- Incentives were difficult to navigate and understand; and
- Non-financial support was needed for apprentices.

The COVID-19 response measures, particularly the Boosting Apprenticeship Commencements (BAC) wage subsidy, were effective in turning the decline in apprenticeship commencements around. However, the BAC measure came at a very substantial cost to the Australian Government.

There is a need to reset the Apprenticeship Incentives system to a more fiscally sustainable model, that better targets investment to support priority commencements and completions.

The most effective policy option – a reformed Australian Apprenticeships Incentive System (AAIS) – targets government investment to the skills in demand. To provide time to assess the impact of implementation and how the market reacts to changes in the system, the RIS recommends the AAIS is delivered in two phases. The two phased approach will provide support to priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment to priority occupations only from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program, transitioning to a more fiscally sustainable model.

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- The first phase of this option (1 July 2022 to 30 June 2024) features a wage subsidy for employers of apprentices in priority occupations, a hiring incentive for employers of apprentices in non-priority occupations, and a direct training support payment to apprentices in priority occupations.
  - In the second phase (from 1 July 2024 onwards), financial support will be stabilised around 2019 levels and will only be available for apprentices in priority occupations and their employers. The wage subsidy will be replaced with a hiring incentive and the direct training support payment will be reduced. The hiring incentive for non-priority apprentices will be removed.

The RIS assesses three options:

Option 1: Implement the Incentives for Australian Apprenticeships (IAA) program formally agreed in the 2019-20 Budget but not yet implemented. This would streamline the existing system but would not achieve any additional commencements or completions in priority occupations recognised as in skills need, due to minimal funding for priority apprentices (no regulatory cost).

Option 2: Modernise and simplify the current program to respond to emerging economic conditions, reduce administrative burden and provide additional support to young Australian Apprentices. Funding would be directed to priority occupations but there would be no support for non-priority occupations (minor annual regulatory cost savings of \$3.6 million).

Option 3: A phased model – modernising and simplifying the current program in two phases focusing on supporting employers and apprentices in priority occupations, with support for non-priority occupations tapering over time (annual regulatory cost burden of \$14.6 million).

Option 3 is identified as the most cost-effective mechanism to transform the Australian Apprenticeships system by focusing investment to areas of priority based on the Australian Apprenticeships Priority List (Priority List) to ensure a pipeline of Australian Apprentices to support Australia's economic recovery.

This RIS has been developed in accordance with the *Australian Government Guide to Regulatory Impact Analysis* and in consultation with the Department of the Prime Minister and Cabinet's Office of Best Practice Regulation (OBPR).



## Chapter One: Introduction and Context

The aim of the Regulatory Impact Statement (RIS) is to identify the option that most effectively and efficiently improves the Australian Apprenticeships system to address skill shortages and encourage more individuals to take up apprenticeships in priority areas.

### 1.1 What is an Australian Apprenticeship?

An Australian Apprenticeship is a pathway to a nationally recognised qualification that allows anyone of working age to earn an income while they learn. It combines learning in the workplace (on-the-job) and structured learning (off-the-job) resulting in a Vocational Education and Training (VET) qualification.

The Australian Government definition of an Australian Apprenticeship incorporates both apprenticeships and traineeships.<sup>1</sup> Generally, apprenticeships are in a skilled trade, and usually take three to four years to complete, for example: electricians, plumbers and hairdressers. Traineeships are generally in non-trade occupations (with some exceptions), but are often shorter in duration and take one to two years to complete. Traineeships are primarily in retail, hospitality and many of the caring qualifications including aged and disability carers, childcare workers, and enrolled nurses. Individual state and territory governments identify which qualifications are apprenticeships or traineeships under their own legislative frameworks. Data from the National Centre for Vocational Education Research (NCVER) shows the split of Australian Apprentices in-training between trades and non-trade is around 63 per cent to 37 per cent.<sup>2</sup>

### 1.2 Who are Australian Apprentices?

As of 30 June 2021, there were 341,385 Australian Apprentices in-training. This equates to just over two per cent of workers across the country who were employed as an apprentice or trainee. In trade occupations alone, almost 12 per cent of employed workers were an apprentice or trainee.<sup>3</sup> Australian Apprenticeships can be completed by anyone of working age, regardless of their level of educational attainment. Apprentices can be still at school, school-leavers, people re-entering the workforce or an adult worker who is changing careers. As of 30 June 2021, of all Australian Apprentices in training:

- Almost two-thirds were aged 24 years or younger;
- Around 72 per cent identified as male and 28 per cent as female;
- 34 per cent were in regional locations and four per cent in remote locations;
- Around six per cent identified as Indigenous Australians; and

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<sup>1</sup> The use of 'apprenticeships' throughout this document refers to both apprenticeships and traineeships.

<sup>2</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022)

<sup>3</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022)

- Three per cent reported having a disability.<sup>4</sup>

### 1.3 Delivery of Australian Apprenticeships

The Australian Apprenticeships system is a responsibility shared between the Australian Government and state and territory governments. The Australian Government contracts and manages the Australian Apprenticeship Support Network (AASN) to deliver services to apprentices and their employers and provides incentives through the Australian Apprenticeships Incentives Program (AAIP). The state and territory government role relates to funding VET training (which includes the off-the-job training component for apprentices), regulation and management of legislative requirements in their jurisdictions. States and territories also locally administer jurisdictional apprenticeships incentives systems, which eligible employers and apprentices may access in addition to those incentives provided under AAIP.

An Australian Apprenticeship is underpinned by a legally binding document under the relevant state or territory legislation called a Training Contract. This contract specifies roles and responsibilities, including training provision both on and off the job, the payment of wages under relevant awards, and is supported by the employment agreement between the employee and employer.

**Table 1: Overview of the key individuals and organisations involved in the apprenticeship process**

| Organisation   | Involvement in apprenticeship process   |
|--|---|
| <b>Australian Apprenticeship Support Network provider (AASN)</b> | Organisations contracted by the Australian Government to deliver Australian Apprenticeship support services, including supporting the sign-up process, providing advice on Australian Apprenticeships, explaining roles and responsibilities, offering personal services such as mentoring, counselling, and pastoral care. |
| <b>Australian Skills Quality Authority (ASQA)</b>                | The national regulator for Australia’s VET sector.  |
| <b>Department of Education, Skills and Employment (DESE)</b>     | Advises the Minister for Employment, Workforce, Skills, Small and Family Business on apprenticeships policy; manages and oversees the AASN providers and administration of the AAIP.  |
| <b>Employer</b>  | A person, business, or organisation (includes Group Training Organisations) that hires and pays staff for their work and conforms with Australian Government and state and territory legislation relating to Australian Apprenticeships.  |

<sup>4</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022)



| Organisation                                    | Involvement in apprenticeship process   |
|---|---|
| <b>Group Training Organisation (GTO)</b>        | Employs Australian Apprentices under a Training Contract and places them with host employers. The GTO undertakes the employer responsibilities for the quality and continuity of Australian Apprentices' employment and training, including payment of wages. The GTO also manages the additional care and support necessary to achieve the successful completion of the Training Contract. |
| <b>Registered Training Organisation (RTO)</b>   | Is registered by the appropriate registering body to deliver training, conduct assessments and issue nationally recognised qualifications in accordance with the VET Quality Framework.   |
| <b>State/Territory Training Authority (STA)</b> | The State or Territory Government body responsible for the operation of the VET system, including Australian Apprenticeships, within that jurisdiction.   |

### **Current regulatory and administrative framework**

The stakeholders listed in Table 1 each have their own roles and responsibilities on the Australian Apprenticeship pathway. The AASN is often the first point of contact for employers and prospective apprentices to support them in navigating the Australian Apprenticeship system.

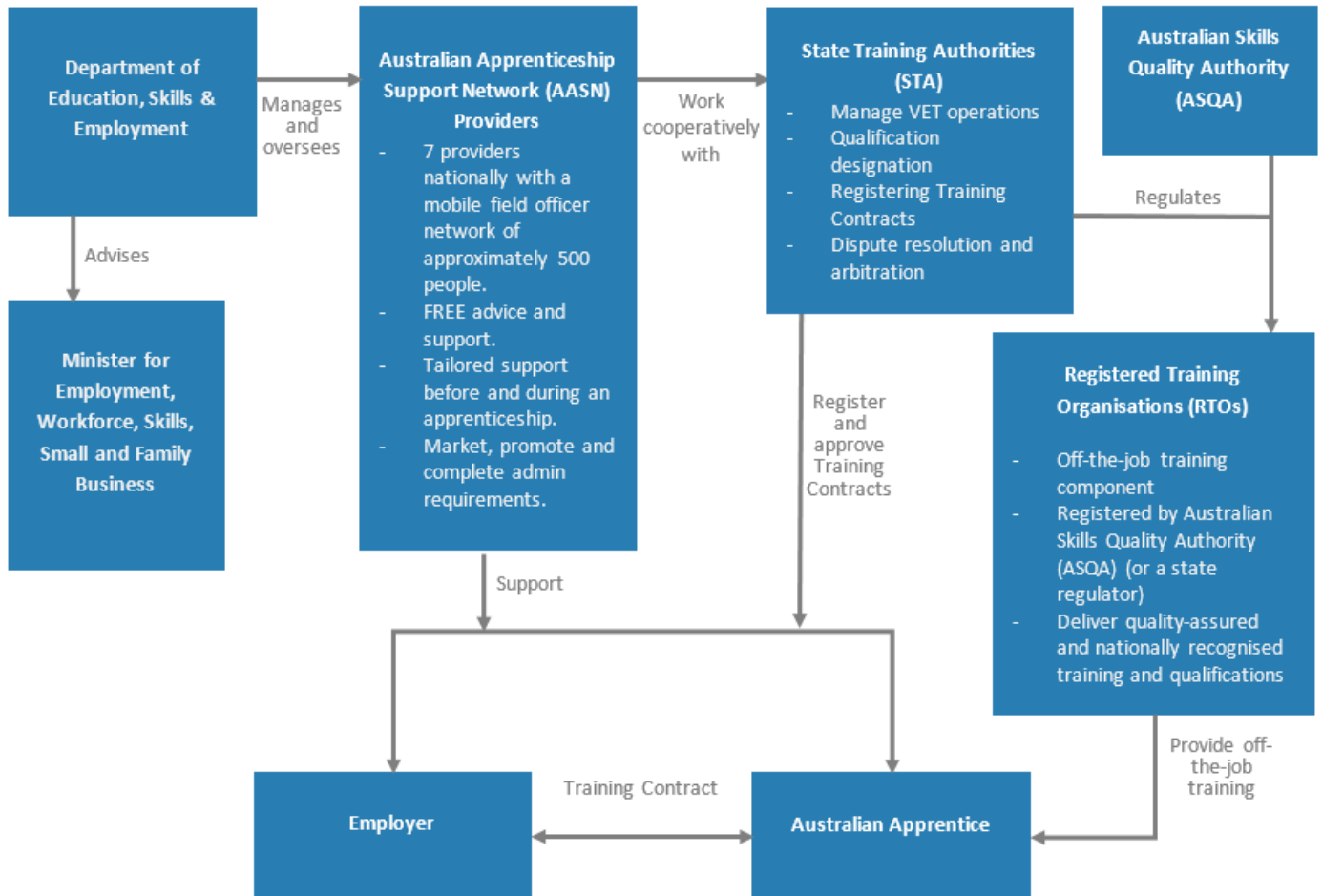
Before an apprenticeship can formally commence, an employer must offer to support a new or existing employee in an apprenticeship pathway and sign a Training Contract. The Training Contract also needs to detail an RTO to provide the formal training component. Each state and territory maintains a list of approved RTOs to deliver particular qualifications. Once signed, the Training Contract needs to be approved by the STA. Eligible apprentices and employers for Australian Government incentives apply, with the support of the AASN.

Employers are required to meet legal obligations associated with hiring under an Australian Apprenticeship, and to conform with Australian Government and state and territory legislation. They must also provide a safe working environment, support structured training on site and in the classroom, provide adequate supervision and support, and ensure Australian Apprentices are aware of their rights and responsibilities.

Eligibility for payments under the AAIP may depend on whether an employer or Australian Apprentice is receiving other Australian Government assistance. Generally, employers are not eligible for wage subsidies under the AAIP if they are already in receipt of an equivalent Australian Government wage subsidy, including the JobMaker Hiring Credit and the previous JobKeeper Payment. As an example, the *Social Security Act 1991* and the AAIP program guidelines prohibit an Australian Apprentice from attracting the Living Away From Home Allowance (LAFHA) and Youth Allowance, Austudy, or ABSTUDY at the same time. For further information on the history of the AAIP, please see Attachment A.



**Figure 1: Role of different stakeholders in the Australian Apprenticeships Incentives Program system**





## 1.4 Programs across the Department

Australian Apprenticeships are only one pathway across the Australian Government's Skills and Training Portfolio designed support employment and a skilled workforce as the economy recovers. Young people can be encouraged to take up an apprenticeship pathway through schools and other programs such as Workforce Australia; the Transition to Work (TtW) youth employment program. Promotion of pre-apprenticeship programs through these services can increase the likelihood of successful transition into and completion of an apprenticeship. Young people may also choose to study a VET qualification without completing an apprenticeship, for example through JobTrainer, which offers free, or low fee training for any Australian aged between 17 and 24.

Australian apprentices make up only around two per cent of the Australian workforce<sup>5</sup> and eight per cent of total participation in the Australian VET sector.<sup>6</sup> As such, it is important to consider the impact of shifting apprenticeship incentives as one component of the broader economy. For example, a reduction in estimated apprentice and trainee commencements does not cause a reduction in job opportunities, rather a reduction in the use of an apprenticeship or traineeship pathway to develop a skilled workforce. Jobs will still be available, and demand of labour will still exist but there will be greater competition for skilled and qualified labour, rather than employers investing in workforce development.

The pricing elasticity research used in this RIS seeks to estimate the impact of incentive levels and various support models, and to determine anticipated changes in apprentice commencements, that is to ascertain at what point employers believe it is worth the cost to take on an additional apprentice.

Importantly, the impact is different depending on the occupation that the apprenticeship or traineeship leads to. In particular, for some occupations, an apprenticeship is the primary entry pathway and may be mandated as part of the industrial relations system. A drop in commencements in those occupations will likely lead to skill shortages in the future. However for occupations where there is an optional traineeship pathway, a reduction in traineeship commencements may not necessarily result in skill shortages in the future, with employers electing to train staff in other ways outside of the formal traineeship model.


## 1.5 Incentives for Australian Apprenticeships

Since the Australian Government first delivered incentives for apprenticeships in the early 1960s, various rebates, subsidies, and incentive payments have been introduced, altered, or removed with differing goals depending on the policy objectives of the day. These have included commencement and completion payments for both employers and apprentices, wage subsidies and additional incentives for employers of specific cohorts, such as women

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<sup>5</sup> NCVET (2020) *Apprentices and trainees 2020 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 21 March 2022)

<sup>6</sup> NCVET (2021) *Total VET students and courses 2020*, NCVET, Adelaide. (DataBuilder)



and disadvantaged or long-term unemployed job seekers, as well as incentives aimed at specific skill areas, such as sports and technical education.

### **Australian Apprenticeships Incentives Program**

Introduced in 1998, the AAIP sought to increase apprenticeship commencement and completion rates through the provision of a standard set of incentives and additional incentives for specific cohorts such as women in non-traditional occupations and apprentices with a disability.

Since the introduction of the AAIP, changes have been made to the program to respond to shifting policy priorities, economic cycles and emergency situations. Over time, the AAIP has included incentives targeted to:

- Meet specific skills shortages, both with a national and local focus;
- Grow skills in emerging policy priority areas;
- Support apprentices with costs associated with their work, such as protective equipment and tools;
- Include disaster recovery initiatives;
- Eliminate poaching (the employer's completion incentive payment had to be shared with other businesses making a major contribution to training the Australian Apprentice);
- Appeal to small and medium businesses; and
- Include employers of specific cohorts, such as school-based apprentices, mature-aged apprentices, women, apprentices with a disability, apprentices with a rural or regional background and Indigenous apprentices.


Incentives have been delivered through a combination of wage subsidies, flat rate payments, vouchers, loans and rebates. These supports have also varied in eligibility and administration. Alterations to the program and the addition of new payments have resulted in today's complex AAIP framework that includes over 30 payment types that primarily target employers.

#### *AAIP: Main support categories*

Support for employers:

- Standard and targeted incentives;
- Additional Identified Skills Shortage (AISS) payment;
- Australian Apprenticeships Wage Subsidy (AAWS) trial;
- Disabled Australian Apprentice Wage Support (DAAWS); and
- Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) measures.

Support for apprentices:

- 
- In-Training Support (ITS);
  - Additional Identified Skills Shortage (AISS) payment; and
  - Living Away From Home Allowance (LAFHA).

Specific information on current incentives for apprentices can be found at Attachment B.

#### *Delivery of the Australian Apprenticeships Incentives Program*

The AASN delivers the AAIP on behalf of the Australian Government. The AASN is responsible for delivery of all Australian Government apprenticeship programs, including payments under the AAIP and Trade Support Loans (TSL).

With over 400 locations nationwide, the AASN provides two service types to employers and apprentices throughout the apprenticeship lifecycle:

- Universal services for clients, including essential administrative support, payment processing and regular contact; and
- Targeted services, also known as gateway and ITS, that provide services such as mentoring for both employers and individuals requiring additional support to complete the apprenticeship.

Core services currently provided by AASN providers include undertaking and processing apprentice sign-ups to Training Contracts, facilitating access to Australian Government incentives and TSL, as well as marketing apprenticeships. Additional services include gateway screening services to support individuals interested in pursuing an apprenticeship pathway, and ITS to assist apprentices and trainees currently in training, to complete their apprenticeship or traineeship. The AASN provides free tailored support to new and existing apprentices and their employers, as well as those deciding on a career pathway.


#### *COVID-19 economic response measures*

The Supporting Apprentices and Trainees (SAT) and BAC wage subsidies were introduced in 2020 as short-term measures to support and protect apprenticeships during the COVID-19 pandemic. These interventions recognised that apprentices and trainees are often the first to lose their job during times of economic downturn and that many businesses are reluctant to take on new and/or inexperienced workers during uncertain economic situations.

Introduced in March 2020, the SAT was a retention measure designed to shield apprentices and trainees from the economic fallout of the COVID-19 pandemic. The estimated \$1.4 billion expended on SAT contributed to retaining around 134,500 apprentices since its introduction. Early program data shows apprentices whose employers attracted the SAT wage subsidy were around 65 per cent more likely to complete and were twice as likely to resume their apprenticeship or traineeship from suspension than those eligible for SAT but who did not claim it.<sup>7</sup> The SAT ceased on 31 March 2021.

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<sup>7</sup> Internal Department data, unpublished



Announced in October 2020, the BAC wage subsidy is targeted at encouraging apprenticeship commencements during the COVID-19 economic recovery period and seeks to create apprenticeship pathways and new opportunities for school leavers, job seekers and those looking to change careers. The BAC wage subsidy provides support for 50 per cent of apprentice or trainee wages (up to \$7,000 per quarter) and is paid to employers quarterly in arrears. The BAC is a broad-based wage subsidy available to apprentices and trainees undertaking Certificate II or higher qualifications in both trade and non-trade areas and can be accessed by employers taking on new workers or seeking to reskill and upskill their existing workforce.

Since the introduction of the BAC in October 2020, the number of Australian Apprenticeship commencements has increased significantly. In the first three months of the BAC, commencements more than doubled (71,335 commencements compared to 28,705 October to December 2019).<sup>8</sup> In 2022, the program continues to support an increase in commencements. NCVER reports a 59.5 per cent increase in commencements for the 12-month period ending 30 June 2021 when compared to the previous year.<sup>9</sup> The BAC will close to new commencements on 31 March 2022.

In October 2021, the Australian Government announced the CAC wage subsidy to ease the transition for all BAC eligible employers by providing transitional support for the second and third year of an Australian Apprenticeship.

Under this measure, eligible employers will receive a wage subsidy of 10 per cent of wages paid to an eligible apprentice or trainee in the second year of their apprenticeship, to a maximum of \$1,500 per quarter, per apprentice. In the third year, eligible employers will also receive a wage subsidy of five per cent of wages paid to an eligible apprentice or trainee to a maximum of \$750 per quarter, per apprentice.

### **The incoming Incentives for Australian Apprenticeships program**

In the 2019–20 Budget the Australian Government announced it would simplify and streamline incentive payments by replacing the AAIP with the Incentives for Australian Apprenticeships (IAA) program on 1 July 2020. The IAA would introduce a simplified payment structure, significantly reduce number of payment types, and streamline eligibility requirements to make it easier for employers to understand and claim incentives. The introduction of the IAA was delayed until 1 July 2022 to minimise disruption for employers and apprentices during the COVID-19 pandemic. During this time, the AAIP has remained in place to continue to provide support to employers and apprentices.

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<sup>8</sup> NCVER (January 2021) *Apprentices and trainees 2020 – December quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 November 2021)

<sup>9</sup> NCVER (January 2021) *Apprentices and trainees 2020 – December quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 November 2021)



## Chapter Two: Statement of the Problem

### 2.1 Apprenticeships are important to both the individual and the economy

Apprenticeships provide an important pathway to secure employment for apprentices and offer skilled labour which both employers and the Australian economy need. The challenges, however, of engaging individuals, employers and Vocational Education and Training (VET) institutions in such learning are significant. According to the Organisation for Economic Cooperation and Development (OECD), analysis of apprenticeship systems around the world shows that central to effective provision is the simple realisation that apprenticeships will only work well if they are attractive to both apprentices and employers.<sup>10</sup> Getting the cost-benefit balance right for the apprentice, employer and the Australian Government is essential for effective policy.

Australia currently has a persistent shortage of skills in many industries, a large portion of which rely on apprenticeships as the main pathway for training and entry.<sup>11</sup> The Australian Government should intervene to ensure it is building the skills that Australia's economy needs to thrive in a post COVID-19 environment. Based on analysis from the National Skills Commission (NSC), 38 per cent of skills shortages are occurring in occupations with a vocational pathway. As such maintaining a steady supply of apprentices ensures there are skilled workers ready to fill the jobs Australia needs. Encouraging Australians to develop the skills needed to meet these shortages will also allow them to train in occupations most likely to provide secure employment in the future.

The supply of skilled workers to the labour market is crucial to supporting the growth of the Australian economy and creating new jobs for Australians. The shape of the Australian labour market has changed significantly over the past 40 years, with strong growth in higher skill level jobs, non-routine jobs and services. Generally, shortages are greatest among technicians and trades workers' occupations, including electricians, carpenters, chefs, fitters and motor mechanics. These are industries in which apprenticeships are a primary pathway.

A 2004 Inquiry into skill shortages by the Senate Committee of Education, Employment, and Workplace Relations found the consequences of skill shortages can be long lasting and serious. The Committee reported *'In the short term, enterprises may suffer increased recruitment or operating costs, reduced productivity, and constraints on business development and expansion. In the longer term, they may adapt their operations to a lower skills base or occupations or industries of national importance may disappear, and the economy as a whole may follow a 'low skills equilibrium'.*<sup>12</sup>

The NSC defines skill shortages as when employers are unable to fill or have considerable difficulty filling vacancies for an occupation, or significant specialised skill needs within that

<sup>10</sup> Organisation for Economic Compensation and Development (OECD) (2018) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

<sup>11</sup> Productivity Commission (2020), *National Agreement for Skills and Workforce Development Review*, Study Report (Accessed 16 March 2022)

<sup>12</sup> Senate Employment, Workplace Relations and Education References Committee (November 2003) *Bridging the skills divide* [www.aph.gov.au](http://www.aph.gov.au) (accessed 16 March 2022)



occupation, at current levels of remuneration and conditions of employment, and in reasonably accessible locations. Skill shortages are caused by many different factors such as:

- People moving out of regional areas;
- Not enough training places for certain skilled occupations;
- Changes in technology; and
- Commencement of large projects in one region such as construction.<sup>13</sup>

Reforms to the apprenticeship system should seek to address the underlying reasons for skills shortages to encourage more individuals to take up apprenticeships in these areas.

For the individual, apprenticeships offer a unique model providing the opportunity to receive training while earning an income. On-the-job training facilitates an environment in which people who have not worked before can more easily transition into new industries. Apprenticeships can offer a viable path into employment for young Australians especially during periods of economic downturn and highly competitive labour markets. The OECD has found ‘...countries with a high share of youth in apprenticeships have lower rates of disconnected youth and youth experiencing a difficult transition to employment.’<sup>14</sup>

Before COVID-19, apprenticeship commencements were declining. Commencements fell 30 per cent between 2012 and 2019 and completion rates remained below 60 per cent.<sup>15</sup> Barriers in the apprenticeships system limit apprentices from commencing or completing their training. Many apprentices struggle with low wages and lack of support. Employers of apprentices are also affected by the system, with high up-front costs, administrative burdens and high levels of cancellations.

In a tight labour market, in which there are low unemployment rates, apprentices have more employment options. For the best return on investment, reforms should focus on completions to ensure a pipeline of skilled workers is available in the medium term.

**Table 2: Skill Level Projections – five years to November 2025**

| Skill Level      | Employment level- November 2020 ('000) | National Skills Commission Projections           |   |      |
|------------------|--|--|---|------|
|                  |  | Projected employment level- November 2025 ('000) | Projected employment growth – five years to November 2025 |      |
|                  |  |  | ('000)  | %    |
| Skill Level 1    | 4,451.1                                | 4,974.2  | 523.1   | 11.8 |
| Skill Level 2    | 1,538.3                                | 1,640.6  | 102.3   | 6.6  |
| Skill Level 3    | 1,898.0                                | 1,965.9  | 67.9  | 3.6  |
| Skill Level 4    | 3,046.7                                | 3,280.4  | 233.7   | 7.7  |
| Skill Level 5    | 1,945.3                                | 2,010.0  | 64.6  | 3.3  |
| Total Employment | 12,740.6                               | 13,732.3   | 991.6   | 7.8  |

<sup>13</sup> Department of Education, Skills and Employment (2021) *What are skill shortages?* [www.jobjumpstart.gov.au](http://www.jobjumpstart.gov.au) (accessed 28 July 2021)

<sup>14</sup> Kuszera, M. OECD (2017) *Incentives for Apprenticeship*, Organisation for Economic Cooperation and Development, [www.oecd-library.org](http://www.oecd-library.org) (accessed 16 June 2021)

<sup>15</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, Study Report (Accessed 16 March 2022)



Skill Level 1 is commensurate with a Bachelor degree or higher qualification  
Skill Level 2 is commensurate with an Advanced Diploma or Diploma  
Skill Level 3 is commensurate with a Certificate IV or III (including at least 2 years on-the job training)  
Skill Level 4 is commensurate with a Certificate II or III  
Skill Level 5 is commensurate with a Certificate I or secondary education.

Source: National Skills Commission (June 2021)

## 2.2 There are barriers to the uptake and completion of Australian Apprenticeships

Apprentices face barriers to the uptake and completion of an apprenticeship, demonstrated by the long-term decline in the number of commencements and completions. Whilst apprenticeship commencement and completion numbers can be partially attributed to broader influences such as changing economic conditions, industry modernisation and shifts to higher education, a number of key reasons are explored below.

### **The decline in commencements and completions before COVID-19 economic response measures**

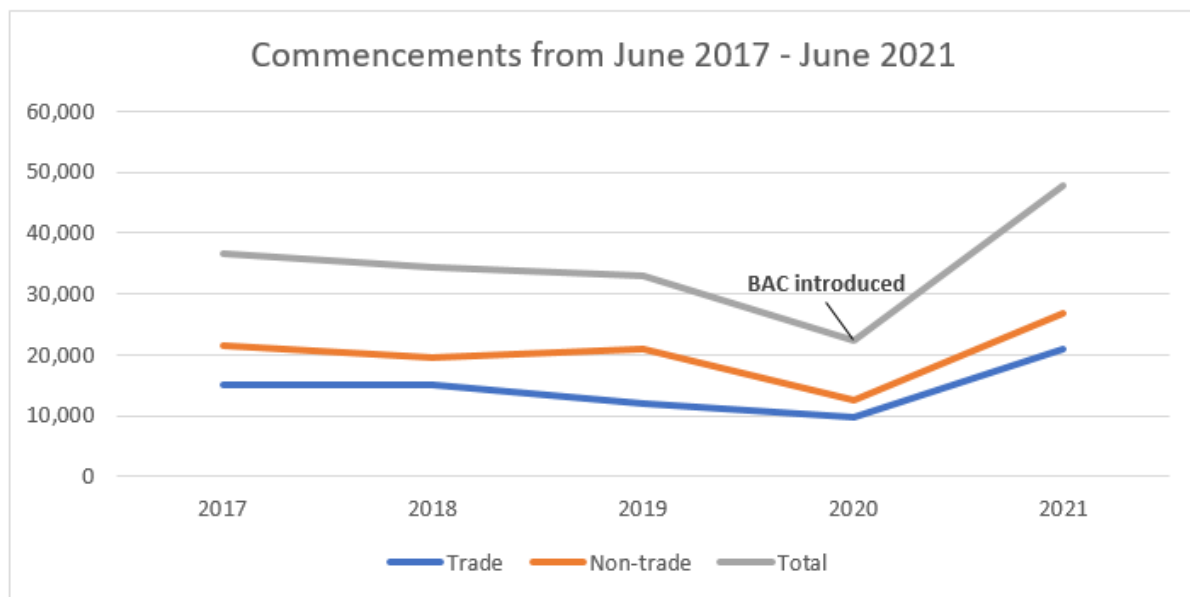
Since 2012 and prior to the introduction of the COVID-19 response measures, apprenticeship commencements were declining, dropping 65 per cent from 376,900 in June 2012 to 133,500 in June 2020. The annual number of completions also declined, decreasing by 55 per cent from 187,600 to 84,000 completions between June 2012 and June 2020. In addition, there was a drop in the completion rate, from 59.7 per cent for apprentices who commenced in 2012, to 56.1 per cent for apprentices who commenced in 2016.

Approximately 83,000 fewer apprentices and trainees were in-training on 31 March 2021 when compared to 30 September 2013.<sup>16</sup> Movement of young people away from apprenticeships to higher education and other work with higher rates of pay may have contributed to a drop in commencements. This decline was also driven by tightened eligibility and a series of policy changes in 2012-2013 which improved the apprenticeship system's ability to address skill shortages by focusing program investment on priority occupations. While program incentives continued to be available to support new workers, support for existing workers was limited to occupations on the National Skills Needs List or priority occupation list (aged care, disability care, child care or enrolled nurses). As a result of these policy changes the greatest decline since 2012 has been in non-trade apprenticeships (often traineeships) while traditional trade in-training numbers have remained relatively steady over time.

However, since the introduction of temporary COVID-19 support measures, commencements have been on the rise. Recent National Centre for Vocational Education Research (NCVER) figures show a 59.5 per cent increase in commencements in the last 12 months when comparing June 2020 commencements to June 2021. This reflects the positive effects of the temporary Boosting Apprenticeship Commencements (BAC) incentive in supporting the pipeline of skilled workers during the COVID-19 pandemic.

<sup>16</sup> NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 1 November 2021)

**Figure 2: Commencements over the past five years for apprentices and trainees<sup>17</sup>**



The Supporting Apprentices and Trainees (SAT), BAC and Completing Apprenticeship Commencements (CAC) were implemented temporarily to sustain apprentice and trainee in-training numbers during the COVID-19 pandemic. The SAT launched in March 2020 at the beginning of COVID-19. The SAT wage subsidy was designed to keep apprentices and trainees connected to their employers by providing a 50 per cent wage subsidy for existing apprentices and trainees.

In addition, the 50 per cent wage subsidy provided under BAC introduced in October 2020 reversed the decline in commencement numbers and demonstrates the effectiveness of large-scale, broad Australian Government investment. The increase in commencements following the introduction of the BAC has had a positive flow on effect to in-training numbers. NCVER data shows around 341,385 apprentices and trainees were in-training as at 30 June 2021.<sup>18</sup> This in-training number is the highest since March 2014 when there were 376,215 in-training.


### **Barriers for the employer**

Employers may be constrained by several factors when hiring an apprentice including high upfront costs, risk of non-completion, difficulty in recruitment and needing to navigate a complex system. Addressing these barriers is a priority for reform and key to encouraging more employers to hire apprentices.

Employers have cited high hiring costs, particularly upfront costs, as a key barrier to engaging employees as an apprentice. Wage costs and other expenses associated with running a business have grown substantially over the past two decades, however the total

<sup>17</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022)

<sup>18</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022)



standard apprenticeship incentives available to employers have remained unchanged at around \$4,000 since 1998. In 2013 the Fair Work Commission made major changes to awards for apprentices including increased wages, wage progression based on competency, an introduction of adult apprentice rates and reimbursement of course fees. While improving conditions for apprentices, this has increased the cost of hiring an apprentice for employers and further disincentivises employers from engaging with apprenticeships.

Needing to devote time to supervise and train an apprentice may also be a barrier for employers. In the early years of an apprenticeship, when supervision costs are high and the productivity, whether perceived or actual, of an apprentice is low, for some employers, the time spent supervising an apprentice is time taken away from generating income or growing the business. This is a particular consideration for small and medium sized businesses, which employ more than half of all Australian Apprentices as well as employers who have not previously engaged an apprentice. This effect can be magnified during periods of economic downturn or uncertainty.

Hiring an apprentice can be considered a risky investment. The relative costs to the employer are higher if an apprentice does not complete their apprenticeship or decides to change employers. In this case, the employer neither benefits from greater productivity in the later years of the apprenticeship nor the skilled labour. This risk of non-completion can reduce an employer's appetite to hire an apprentice.<sup>19</sup>

In 2019, over 43 per cent of employers had difficulty recruiting employees. Of these employers, the main reasons for difficulty in recruitment were limited applicants and a shortage of skilled people in the industry.<sup>20</sup> A survey of employers conducted by the Department of Jobs and Small Business in 2017 found around 30 per cent of advertised trade apprentice vacancies went unfilled. Moreover, almost half of employers advertising vacancies received more than 20 applications, yet most candidates were regarded as unsuitable.<sup>21</sup>

The difficulties in recruitment are highlighted by the NSC job vacancy index, which reached its highest level in 13 years in October 2021 (250,900 jobs advertised) – 49.2 per cent (or 82,700 job advertisements) above pre COVID-19 levels. Job advertisements climbed 7.4 per cent from October to November 2021 – 52 per cent higher than a year earlier and 44 per cent above pre-COVID-19 levels.<sup>22</sup>

During a review of Australia's VET system in 2019, employers identified complexity of incentives as a barrier, specifically describing the Australian Apprenticeships Incentives

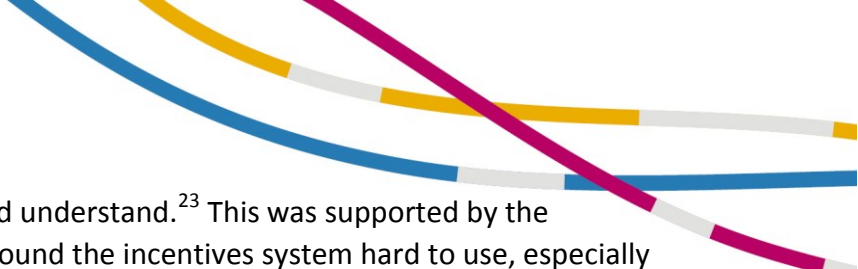
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<sup>19</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)

<sup>20</sup> NCVET (2019) *Employers' use and views of the VET system 2019*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 15 June 2021)

<sup>21</sup> Department of Jobs and Small Business (2017) *Labour Market for Apprentices*, [www.dese.gov.au](http://www.dese.gov.au) (accessed 23 June 2021)

<sup>22</sup> ANZ Research (6 December 2021) *ANZ Australian Job Advertisement Series Media Release*, [www.media.anz.com](http://www.media.anz.com) (accessed 15 March 2021)



Program (AAIP) as difficult to navigate and understand.<sup>23</sup> This was supported by the Productivity Commission in 2020, which found the incentives system hard to use, especially for small and medium sized businesses that may have less capacity to navigate different programs. One employer specifically referenced having to digest and understand the AAIP Program Guidelines as a large administrative burden with the potential to be an obstacle to hiring apprentices in itself.<sup>24</sup>

### **Barriers for the apprentice**

Low wages and the corresponding concern of not being able to meet ongoing costs of living are barriers to taking up an apprenticeship.<sup>25</sup> This is a particular constraint for longer qualifications of up to four years. This is supported by recent research by Wallis that found many apprentices struggle to balance work, study, a social life and household commitments, with 35 per cent of the apprentices surveyed finding the low level of pay challenging, especially during the first year. Apprentices who found low wages extremely challenging reported seeking food from charities, selling vehicles and relying on partner support to make ends meet.<sup>26</sup>

The National Minimum Wage (\$722.60 per week) is provided by the *Fair Work Act 2009* for employees not covered by an award or agreement. In 2013, the Fair Work Commission decided the salary of a first-year apprentice would be 55 per cent of a fully qualified person if they had completed year 12 (50 per cent otherwise). Annual wage data for apprentices indicates wages in the first two years of training are significantly below the average expenditure on basic goods and services by low economic resource households. For example, an apprentice hairdresser would be covered by the Hair and Beauty Industry Award, with a minimum full-time rate of \$438 a week (61 per cent of the National Minimum Wage). A construction worker would be covered under the Building and Construction General On-site Award wage, with a minimum full-time rate of \$537.91 a week (74 per cent of the National Minimum Wage). The Australian Bureau of Statistics (ABS) found that in 2015-16 average spending by households on basic goods and services was \$846 per week.<sup>27</sup> The financial barriers to undertaking an apprenticeship are even greater for young workers and those living in regional and rural communities. Ongoing economic uncertainty resulting over the past few years has impacted the cost of living in Australia and continues to present additional financial strain on apprentices.

The impact of low wages on apprenticeship commencements and completions is compounded when the market presents higher paying alternatives. For example, an

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<sup>23</sup> Joyce, S. (2019) *Strengthening Skills: An expert review of Australia's vocational education and training system*, Commonwealth of Australia


<sup>24</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)

<sup>25</sup> NCVET (2020) *Traditional trade apprenticeships: learnings from the field* [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 28 July 2021)

<sup>26</sup> Wallis (2021) *Apprentice and Employer Support Surveys*, based on a sample size of 500 employers and 500 apprentices

<sup>27</sup> Australian Bureau of Statistics (2016) *Household Expenditure Survey Australia: Summary of Results* [www.abs.gov.au](http://www.abs.gov.au) (accessed 28 July 2021)





apprentice mechanic earns a lower average wage than a casual hospitality worker or labourer. Likewise, mature aged workers looking to make a career change are deterred by low apprentice wages for up to four years and the lack of flexible learning options. Research commissioned by the NSW Board of Vocational Education and Training found that in periods of sharp trade skill shortages, some apprentices were tempted to quit their training for higher wages working as non-qualified tradespersons in booming industries.<sup>28</sup>

Financial barriers lower commencement and completion rates by making apprenticeships an unappealing financial decision. This may both deter individuals from considering an apprenticeship and lower the completion rates of those who do begin. These financial barriers are strongest in the early years of an apprenticeship, where wages are at their lowest and apprentices can choose better paying alternatives such as retail or hospitality work.<sup>29</sup> This is also supported by findings from a 2020 Review of Senior Secondary Pathways, that found young people to be increasingly moving away from vocational education pathways. While apprenticeships have declined significantly over the past five years, university admissions have increased, and VET is persistently seen as a less prestigious pathway than university.<sup>30</sup>

For those who do begin an Australian Apprenticeship, many do not complete. Only 56.1 per cent of apprentices commencing in 2016 completed their apprenticeship.<sup>31</sup> While the main reasons cited for not completing an apprenticeship were leaving the job or changing career, being offered a better job and not getting on with a boss or colleagues were also prominent reasons.<sup>32</sup> Figure 3 lists the main reasons for not completing an apprenticeship across all apprenticeships.

**Figure 3: Top five reasons for not completing an apprenticeship<sup>33</sup>**

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<sup>28</sup> Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* [www.voced.edu.au](http://www.voced.edu.au) (accessed 13 July 2021)

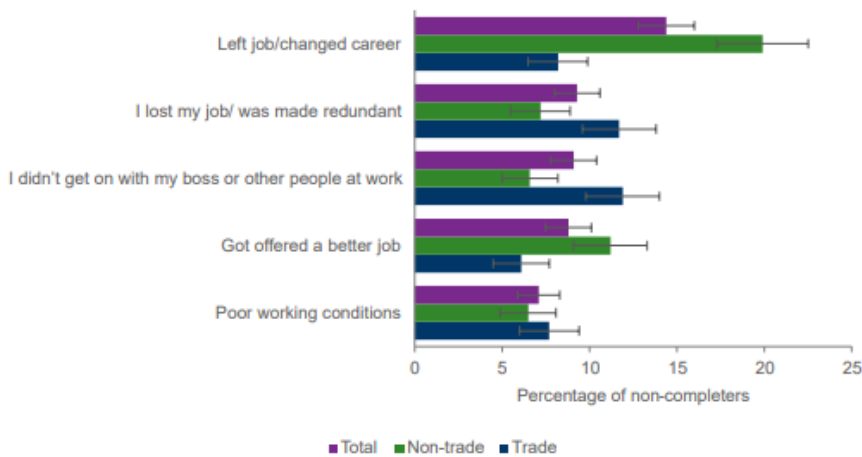
<sup>29</sup> NCVER (2001) *Reasons for new apprentices' non-completions*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 18 March 2022)

<sup>30</sup> Shergold P. (June 2020) *Looking to the Future: Report of the Review of Senior Secondary Pathways into work, further education and training*, Education Council

<sup>31</sup> NCVER (2021) *Issues in apprenticeships and traineeships – a research synthesis*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 27 January 2022)

<sup>32</sup> NCVER (2019) *Apprentice and trainee experience and destination*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 24 June 2021)

<sup>33</sup> NCVER (2021) *Issues in apprenticeships and traineeships – a research synthesis*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 27 January 2022)



### Barriers for women

The number of women commencing apprenticeships has been steadily increasing over time, particularly since the introduction of the BAC. However, women face a number of barriers to undertaking and successfully completing an apprenticeship, particularly in trade occupations in which there has been traditionally low take up by women compared to men (women in non-traditional trades account for seven per cent of total trade apprentices).<sup>34</sup> Workplace culture and bullying, as well as employer misconceptions about women’s capabilities to perform in trades are deterrents for women considering a trade occupation. Further, women may not have considered a non-traditional trade (most trade occupations other than hairdressing) as an attractive career. Increasing visibility of these career options and providing opportunities to experience non-traditional trades, such as those in the construction industry, first-hand may inspire women to consider pursuing careers in these occupations.

Increased wrap-around supports including mentoring and opportunities to trial a trade before committing to an apprenticeship may be successful in encouraging more women to consider an apprenticeship, particularly in a non-traditional trade occupation. Options such as guaranteeing an In-Training Support place to provide targeted services such as mentoring, counselling and mediation or increasing visibility of apprenticeship pathways to school-aged girls by providing opportunities to trial a trade may also lead to increased commencements.


### Barriers for youth

Data from the Australian Institute of Health and Welfare’s Australia’s youth report released in June 2021, shows that compared to older age groups, young people experienced higher rates of psychological distress, job loss and educational disruption due to the COVID-19 pandemic.<sup>35</sup> While the economy has begun to recover from the economic impacts of COVID-19, youth unemployment remains high.

<sup>34</sup> NCVER (2021) *Australian vocational education and training statistics: apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 21 March 2022)

<sup>35</sup> Australian Institute of Health and Welfare (2021) *Australia's youth.*, AIHW, Australian Government (accessed 14 January 2022)





Young apprentices may withdraw from their apprenticeship before completion for several reasons. These include poor working conditions, mental health issues, inadequate training, high travel costs and low pay. Wallis research, commissioned by the Department, shows that apprentices who received sufficient support felt more likely to complete their apprenticeship. Apprentices also identified a need for greater support for mental health and problems with their employers. More than a quarter of apprentices felt they would not receive sufficient support for mental wellbeing should they need it. Many apprentices also referred to problems relating to their boss.

The NSC has found that youth are particularly vulnerable during large economic and labour market shocks due to having fewer skills and less experience than older counterparts. While the economy is recovering from the economic impacts of COVID-19, youth unemployment remains high. The latest Australian Bureau of Statistics data from February 2022 shows the youth unemployment rate is more than double that of the overall population, at 9.3 per cent compared to 4.0 per cent.<sup>36</sup>

Ensuring reforms to the apprenticeship system work to encourage young Australians to consider an apprenticeship as a possible career pathway is a priority. Increased apprenticeship commencements and completions for this cohort will contribute to addressing skills shortages in Australia while also supporting young Australians into successful careers.

### **2.3 The objective of Australian Government incentives**

The Australian Government's objective is to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness. Ensuring the apprenticeship incentives system is fit for purpose will contribute to achieving this goal. Reforms to the apprenticeship incentives system seek to address this objective by:

- Creating genuine opportunities for skills-based training and development of employees; and
- Encouraging people to enter skills-based training in priority occupations through an Australian Apprenticeship.<sup>37</sup>

Employer incentives and financial support provided to apprentices have long been used as mechanisms to encourage greater participation in Australian Apprenticeships. The economic rationale for existing incentives has been to encourage employers to increase the available training places by helping to offset wages and other costs. Targeting these supports to the skills Australia needs will contribute to addressing national skills shortages as well as providing career opportunities for individuals.

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<sup>36</sup> Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)

<sup>37</sup> Department of Education, Skills and Employment (2021) *Australian Apprenticeships Incentives Program guidelines* [www.dese.gov.au](http://www.dese.gov.au) (accessed 16 June 2021)

## 2.4 How much should the Australian Government intervene?

There is strong argument for Australian Government intervention in the apprenticeship system, however financial incentives to encourage employers to take on apprentices should be used with caution and should be targeted effectively.<sup>38</sup> Financial incentives provided by the Australian Government should be high enough to influence employer and apprentice behaviour, however, should also balance the overall benefit to the employer. While taking on an apprentice may incur high costs, including through supervision and training, employers can generally expect to recoup the costs of an apprentice through the skilled labour they provide as well as the prospect of retaining them after the apprenticeship is completed. This productive work, particularly in the later stages of an apprenticeship, typically compensates for employers' earlier investment into training.<sup>39</sup> This overall benefit to the employer should be kept front of mind when considering the amount of financial incentives that should be provided by the Australian Government.

## 2.5 The current state of Australian Government incentives

Prior to the introduction of COVID-19 economic response measures, commencement and completion rates were continuing to decline. The BAC and CAC have demonstrated that the Australian Government can play a strong role in influencing behaviour and promoting apprenticeships as an attractive pathway for both employers and employees. However, the BAC and CAC are temporary emergency response measures introduced in the face of the pandemic. At a total cost of \$5.8 billion, they are not fiscally sustainable in the long-term. Action is required to ensure Australian Government incentives are fit for purpose, fiscally sustainable, continue to reduce barriers and support commencement and completion rates after these temporary measures cease.


As the economy continues to strengthen and move from recovery into expansion, it is important to address near and long-term workforce challenges that can disrupt business operations, trade and mobility. There are five main challenges to overcome to support reform of the AAIP:

1. Incentives should be targeted to address skill shortages in priority occupations to ensure a steady pipeline of skilled workers and minimise the risk of future workforce shortages;
2. Costs remain high and are increasing, for both the employer and the apprentice;
3. Incentives do not adequately target the decision maker. Recent research shows the apprentice makes most decisions throughout the apprenticeship, yet most incentives target the employer;

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<sup>38</sup> Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

<sup>39</sup> Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

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4. The complexity of the incentives system is hard for employers and apprentices to navigate and understand; and
  5. Non-financial support is needed, such as job matching and mentoring, with evidence highlighting the positive impact non-financial support can have on apprenticeship completion rates.

### **1. Incentives should be targeted to address skill shortages**

There is significant capacity in the domestic Australian labour market for people to upskill. As of October 2021, 707,000 people are unemployed (similar to pre-COVID-19 numbers) and a further 1.3 million people are underemployed. There are also barriers in the market which can prevent jobseekers finding jobs, including skills and geographical mismatches.

The NSC highlights longer-term challenges, forecasting that over the next five years employment is projected to grow by around one million jobs with more than nine in 10 new jobs created projected to need a post-school qualification.<sup>40</sup> With 38 per cent of skills shortages in occupations with a vocational pathway, Australian Government investment in apprenticeship incentives must encourage individuals to take up opportunities in the jobs Australia needs.

The Australian Apprenticeships Priority List (Priority List) has been developed to better identify areas of skill shortages with a clear apprenticeship pathway, including emerging skill shortages in health care due to COVID-19. Going forward, the Priority List will consolidate and replace the current National Skills Needs List (NSNL), the Priority Occupations list and the AISS payment list. The Priority List will help facilitate access to high quality and relevant training to meet the requirements of the jobs that emerge through the next decade and beyond to support the further growth and prosperity of Australia.

The Priority List comprises 77 Technician and Trade Worker and Community and Personal Service Worker occupations identified as in shortage by the NSC. These occupations represent approximately 60 per cent of apprentices in-training.<sup>41</sup> The NSC publishes the Skills Priority List (SPL) annually to inform broader sector reforms including training funding, skilled migration and apprenticeship incentives. The SPL provides a current labour market rating and a future demand rating for occupations nationally, with current labour market ratings also available at a state and territory level. According to this list, over 150 occupations face current skills shortages nationally and nearly 40 per cent of technical and trade occupations are listed as being in skills shortage.

The Priority List is based on the SPL and includes all occupations that meet the following criteria:

- Assessed by the NSC as being in shortage; and

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<sup>40</sup> National Skills Commission (9 December 2021) *The State of Australia's Skills* (accessed 20 January 2022)

<sup>41</sup> NCVET (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 24 January 2022)

- Classified by the Australian Bureau of Statistics Australian and New Zealand Standard Classification of Occupations (ANZSCO) as either Technicians and Trades Workers (ANZSCO Major Group 3) or Community and Personal Service Workers (ANZSCO Major Group 4).

The Priority List will be updated annually, based on the NSC's annual SPL.

Previously, to be eligible for some incentives offered under the AAIP, the apprenticeship qualification needed to be listed on the NSNL or be a Priority Occupation. The NSNL was introduced in 2007 and identified occupations that were deemed to be in national skill shortage. However, it was not representative of skill shortages in occupations for which an apprenticeship is an entry pathway to the occupation. The infrequency in which the NSNL was updated (the last update was in 2011) and the criteria that defined the scope of the NSNL had an impact on this. This issue also contributed to Australian Government incentives being provided to occupations not in skills shortage.

### *What is a priority and non-priority occupation?*

The Priority List, based on the work of the NSC as described in the previous section, sets out occupations that will be incentivised as priority occupations under each of the proposed options. The top five occupations by commencements for the 12 months to June 2021 is shown in Table 3 below.

**Table 3: Top five occupations for priority and non-priority occupations by commencements for the 12 months to 30 June 2021<sup>42</sup>**

| Priority Occupations     |                      | Non-priority Occupations             |                      |
|--------------------------|----------------------|--------------------------------------|----------------------|
| <i>Occupation</i>        | <i>Commencements</i> | <i>Occupation</i>                    | <i>Commencements</i> |
| Carpenter                | 14,084               | General Clerk                        | 14,087               |
| Electrician (General)    | 12,649               | Sales Assistant (General)            | 10,135               |
| Child Care Worker        | 10,612               | Hospitality Workers                  | 10,101               |
| Motor Mechanic (General) | 9,970                | Office Manager                       | 6,406                |
| Plumber (General)        | 7,014                | Earthmoving Plant Operator (General) | 3,835                |


## **2. Incentives should respond to high and increasing costs**

In 2020, the Productivity Commission undertook a review of the National Skills and Workforce Development Agreement which found that employer incentives now account for less than two per cent of the full costs of hiring and training a trade apprentice.<sup>43</sup>

The timing of when incentives are paid can reduce or exacerbate the cost barrier. Research has found delayed incentive payments have a negative impact on commencement rates for small and medium sized businesses. This was demonstrated when movement of the \$1,500 commencement incentive in July 2012 from three to six months after commencement

<sup>42</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 24 January 2022)

<sup>43</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)



negatively impacted small and medium business apprenticeship commencements with almost 18 per cent fewer apprenticeship commencements.

Similarly, lower wages remain an obstacle to many individuals considering undertaking an apprenticeship and current Australian Apprenticeship incentives are not sufficient to meet the costs of living. Incentives should be designed to minimise the negative impact of low apprentice wages for apprentices.

### **3. Incentives should focus on the decision maker**

Recent research by the Productivity Commission found that if governments want to increase the overall number of apprentices, policy design should aim to increase both commencements and completions. This is supported by significant research and analysis undertaken over the previous decade indicating incentives are best directed at the party responsible for decision-making.

While employers are critical to the supply of apprenticeship positions, the apprentice is responsible for both the decision to undertake an apprenticeship and then to complete it. 80 per cent of cancellations are initiated by apprentices.<sup>44</sup>

Financial barriers for apprentices are a clear impediment to both commencement and completion rates, with low wages and better paying alternatives making apprenticeships a less appealing pathway. Analysis undertaken by the Department demonstrates making periodic payments directly to apprentices over the life of the apprenticeship supports higher completion rates.<sup>45</sup> Regular payments over the life of an apprenticeship, as opposed to a lump sum paid on completion or commencement, have been effective in supporting retention and completion rates. For example, apprentices in receipt of regular payments under Trade Support Loans (TSL) or Living Away From Home Allowance (LAFHA) are more likely to complete their apprenticeship. Receipt of LAFHA has been shown to increase the probability of completing by 7.6 per cent for trade apprentices, and 13.7 per cent for non-trade apprenticeships.<sup>46</sup>

As a result, it is critical to provide financial incentives for apprentices to influence behavioural change to achieve an overall shift in apprenticeship outcomes towards higher commencements and completions.

### **4. Incentives should be easy to navigate and understand**


The AAIP and its predecessors have been subject to regular adjustments in response to economic cycles and changes in policy over several years. These changes have resulted in a complex framework. There are over 30 different payments available under the AAIP and

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<sup>44</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)

<sup>45</sup> Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* [www.voced.edu.au](http://www.voced.edu.au) (accessed 13 July 2021)

<sup>46</sup> Deloitte Access Economics (2012) *Econometric analysis of the Australian Apprenticeships Incentives Program* [www.voced.edu.au](http://www.voced.edu.au) (accessed 13 July 2021)



eligibility for individual incentives depends on a wide range of factors. The SAT, BAC and CAC have further complicated incentives in an already intricate system.

Reviews by the Productivity Commission and others suggest many of these changes before the COVID-19 economic response measures, have not sustained positive apprenticeship outcomes. Furthermore, many of the trade occupations that feature on the skills shortage lists have been experiencing skills shortages for decades despite incentive payments. The cumulative effect of these changes over time has been to complicate the incentives framework for both employers and apprentices. Industry groups, employers and apprentices have repeatedly raised concerns that the existing AAIP is overly complex, difficult to navigate and this complexity can act as a deterrent to applying for assistance. For example, the previous and concurrent qualifications criteria are overly complex and delay the sign-up of apprentices. Following his review of Australia's VET system, including industry consultation, the Honourable Steven Joyce recommended '*A simpler, more streamlined apprentice incentives program would provide better and more easily understood support to employers and their apprentices and trainees.*'<sup>47</sup>

## **5. Non-financial support should be provided**

Non-financial support for employers and apprentices both in the lead up to commencement and during the apprenticeship can be critical to achieving successful completions. Research shows that both apprentices and employers value non-financial support, including mentoring, mediation, job-matching the apprentice to the employer and assisting the employer to find the right person for the job.

The Australian Apprenticeship Support Network (AASN) providers are contracted to provide a range of universal services to support apprentices throughout their apprenticeships, from sign-up to completion. In order to determine which apprentices need more intensive support, AASNs are required to assess which apprentices are at risk of not completing and in need of further or ongoing support. Departmental data as at 28 February 2022 shows Australian Apprentices that received ITS services delivered by the AASN were:

- 8.7 per cent more likely to complete their apprenticeship;
- 10.7 per cent less likely to cancel or withdraw;
- 9.8 per cent more likely to be retained; and
- 42.3 per cent more likely to resume from suspension.<sup>48</sup>

The Productivity Commission supports these results finding that apprenticeship support services such as mentoring and pastoral care can help apprentices overcome some of the challenges they may face in the workplace with evidence suggesting that these services are generally effective at increasing completion rates. Continuing to provide ITS places will ensure AASN providers can continue to support apprentices through to completion.

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<sup>47</sup> Joyce, S. (2019) *Strengthening Skills: An expert review of Australia's vocational education and training system*, Commonwealth of Australia

<sup>48</sup> Program data as at 28 February 2022.



## Chapter Three: Need for Australian Government action

A highly skilled labour force is fundamental to Australia's future. Australian Apprenticeships are essential in providing workers with the skills and qualifications to deliver the goods and services that underpin Australia's economy. Addressing the barriers to uptake and completion of apprenticeships is an important role for the Australian Government. Australian Government reform of the apprenticeship incentives system needs to target investment effectively to address the barriers faced by employers and apprentices. The system also needs to be financially sustainable to provide ongoing support. Broader reforms to the training system through the National Skills Agreement (NSA) are also key, noting apprenticeships are the only area of the Vocational Education and Training (VET) system where employers determine the number of people in training.<sup>49</sup>

The economic rationale for incentives in the apprenticeships sector is to offset the high costs to employers to increase the number of training places offered in priority occupations. Additionally, incentives paid to apprentices seek to address low wages, costs associated with training and to make apprenticeships more financially appealing compared to competing industries. Research shows employer wage subsidies and apprentice payments can influence behaviour and have a positive effect on commencement and completion rates.<sup>50</sup> Given this, offsetting costs to employers and providing financial incentives for apprentices are good policy options that will upskill the Australian workforce and fill jobs in the occupations Australia needs.


The Australian Government shares responsibility for the VET system in Australia with state and territory governments. Recent measures, such as the Supporting Apprentices and Trainees (SAT), Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) fundamentally transformed the apprenticeship system and demonstrated the positive impact Australian Government incentives can have on Australian Apprenticeship outcomes. A new approach to the apprenticeship incentives system will build on this success in the longer-term. This will contribute to meeting broader Australian Government objectives to reduce regulation and boost the scale and flexibility of the skilled domestic workforce.

### 3.1 The Incentives for Australian Apprenticeships will help but more can be done

The Incentives for Australian Apprenticeships (IAA) program was announced in the 2019-20 Budget to simplify and streamline Australian Apprenticeship incentives when compared with the current Australian Apprenticeships Incentives Program (AAIP) specifically reducing the number of incentives from over 30 to 15. However, the IAA only effectively addressed some, not all, barriers to employers and apprentices. Since the IAA was announced, multiple incentives and subsidies have been introduced that provide more insight into what works and will be effective in the long-term.

<sup>49</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)

<sup>50</sup> Deloitte Access Economics (2012) *Econometric Analysis of the Australian Apprenticeships Incentives Program* (accessed 16 March 2022)



Further, since the announcement of the IAA, several reviews and research findings on the Australian Apprenticeships system have been released including:

- Review of Senior Secondary Pathways led by Professor Peter Shergold AC (June 2020); and
- Productivity Commission review of the National Agreement for Skills and Workforce Development (NASWD) (December 2020).

Based on the lessons learnt, changes in the economy from the COVID-19 pandemic and new evidence from reviews of the system, it is clear the IAA will no longer be fit for purpose and is not the best option to increase uptake and completion of apprenticeships.

### **3.2 Economic conditions**

The Reserve Bank of Australia (RBA) forecasts a strong economic recovery as Australia rebounds from the economic effects of COVID-19. Notably, the unemployment rate is forecast to decline to 3 and  $\frac{3}{4}$  per cent by the end of 2023, which is lower than pre-pandemic unemployment rates.

This will have major implications for the apprenticeships ecosystem, as low unemployment rates are likely to increase workforce demand and decrease supply. These changes may exacerbate existing skills shortages, particularly in lower paid positions like apprenticeships. Shortages in supply are also likely to significantly increase competition for labour in the short term. Without Australian Government action, this will have adverse effects on commencement and completion rates as potential apprentices take up more attractive employment opportunities.

Australian Government intervention is needed to ensure Australian Apprenticeships are an attractive career path for prospective apprentices in order to limit supply issues. Additionally, employers need greater certainty and support to continue offering apprenticeship positions in areas that will address skill shortages throughout Australia.

### **3.3 What happens if we do nothing?**

Without further reform, it is reasonable to predict that barriers to participating in and completing an Australian Apprenticeship will persist. This will have a negative impact on the availability of skilled labour and hinder Australia's economic recovery. The significant gains from the investment made by the Australian Government through the successful SAT, BAC and CAC measures during the COVID-19 pandemic will be lost if the effort is not made now.

With no policy changes, annual commencements of Australian Apprentices are expected to significantly decline below pre-COVID-19 levels. This potential decline risks undermining the legitimacy of Australian Apprenticeships as a viable, long-term employment pathway. It is critical the Australian Government's investment is maximised, by ensuring recent commencements translate into completions and new hiring continues to be stimulated, focusing on the skills we need now and into the future.



## Chapter Four: Policy Options

Incentive programs are designed to improve the attractiveness of apprenticeships, particularly for employers, to address skills shortages in many occupations that depend on apprenticeships as the main pathway to training and support the development of a highly skilled Australian workforce. Removing incentives is therefore not being considered as an option as it would have an adverse impact on Australia's pipeline of skilled workers and employers in key industries.

Numerous policy options have been explored to address the issues with the current incentives system. The key policy parameters considered are that:

- Incentives should be targeted to address skill shortages;
- Incentives should lower the costs to employers;
- Incentives should focus on the decision maker;
- Incentives should be simpler to navigate and understand; and
- Employers and apprentices should have access to more non-financial support.

Learnings from apprenticeships COVID-19 economic response measures such as the Boosting Apprenticeship Commencements (BAC), Supporting Apprentice and Trainees (SAT) and Completing Apprenticeship Commencements (CAC) measures, have also been taken into account.

Table 4 briefly outlines the three options explored in this RIS. These include:

- An option to make no further reform which will result in the Incentives for Australian Apprenticeships (IAA) program coming into effect from 1 July 2022;
- A targeted option that refocuses the existing program to invest in priority occupations only from 1 July 2022; and
- A phased option with higher support until 1 July 2024, following by a reduction in support that stabilises at 2019 levels.

### Cost and the role of government intervention

A further consideration in the design of the policy options is the total cost of the intervention, with a need to ensure fiscal sustainability in the longer term. As a result of this consideration, the Department is not proposing the introduction of a long term wage subsidy package – covering both priority (for example carpenters, electricians and childcare workers) and non-priority occupations (for example office managers, general clerks and sales assistants).

The BAC, a broad policy measure open to all employers of apprentices and trainees, both trade and non-trade, was introduced as a key COVID-19 pandemic response measure. It was designed to address the steep decline in Australian Apprenticeship commencements in mid-2020 (around 20 per cent). This measure was further supported by the introduction of the CAC in 2021 which focused on providing ongoing support to apprentices and trainees engaged through the BAC and stabilising the broader Australian Apprenticeships system.

The BAC was never intended to become a permanent feature of the system; it was delivered as a short-term boost to support employers as the economy recovered.

The BAC wage subsidy lifted the total number of apprentices and trainees in-training, increasing from 264,585 in September 2020 (National Centre for Vocational Education Research (NCVER)) to 360,000 in September 2021 (Departmental program data). As at 10 March, 71,600 businesses have been supported by the BAC.

The BAC and CAC however are high cost, with around \$5.8 billion provided over the forwards.

This style of measure would not be fiscally sustainable as it would build a long-term employer dependence on Australian Government intervention and significant financial support to take on an apprentice. Given that the benefits from apprenticeships are shared with employers and industry more widely, governments should not be expected to cover a substantial portion of the costs involved with the apprenticeship.<sup>51</sup> Employers reap the benefits from the skilled labour the apprentice provides, and as such should expect to pay most of the apprentice’s wages and costs. Accordingly, the introduction of a new incentives model to stimulate commencements and completions by providing a high value wage subsidy for all occupations irrespective of the needs of industry and the economy similar to the BAC and CAC is not proposed.

Systems are not designed to be set and forget. They require regular monitoring, review and evaluation to enable them to shift to the changing needs of the economy. Continuing to direct significant investment towards non-priority occupations without any review or tapering would divert valuable resource from areas of skills need. Effectively this model would see the government supplementing the wages for positions that businesses would traditionally have filled themselves without the need for government intervention.

A package of this nature would result in a significant increase in Australian Government ongoing spending in apprenticeships. As such, the introduction of a long-term high cost wage subsidy has not been included in this RIS.

**Table 4: Policy options under consideration**

| Option   | Elements  |
|----------|---|
| Option 1 | <p><b>Make no further reform. The Incentives for Australian Apprentices (IAA) program will come into effect on 1 July 2022</b></p> <p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• New Incentive Structure (available at Attachment B)</li> <li>• Payments to employers, primarily on commencement and completion of an apprenticeship</li> </ul> |

<sup>51</sup> Organisation for Economic Compensation and Development (OECD) *Seven Questions about Apprenticeships: Answers from International Experience*, OECD Reviews of Vocational Education and Training, OECD Publishing, Paris (accessed 18 March 2022)

| Option   | Elements   |
|----------|--|
|          | <p><b>Administrative Elements:</b></p> <ul style="list-style-type: none"> <li>• Simplify eligibility criteria to remove previous and concurrent qualification restrictions</li> <li>• Keep Living Away From Home Allowance (LAFHA) payment</li> <li>• Keep In-Training Support (ITS) places for apprentices and employers</li> </ul>   |
| Option 2 | <p><b>Australian Apprenticeship Incentives Program that provides support for priority occupations</b></p> <p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• Employer hiring incentive <u>for priority occupations only</u></li> <li>• Introduction of the Priority List</li> </ul> <p><b>Apprentice Package:</b></p> <ul style="list-style-type: none"> <li>• New Australian Apprentice Training Support Payment (Support Payment) <u>for priority occupations only</u></li> <li>• Expanded access to Trade Support Loans (TSL) <u>for priority occupations only</u></li> </ul> <p><b>Youth Support:</b><br/>Targeted youth support for eligible Australian apprentices aged 15 to 20 to provide:</p> <ul style="list-style-type: none"> <li>• Dedicated In-Training Support (ITS) places for young Australian Apprentices, to provide wrap-around support for these apprentices to encourage greater retention</li> <li>• Follow-up phone calls to young apprentices at three months</li> </ul> <p><b>Administrative Elements:</b></p> <ul style="list-style-type: none"> <li>• Simplify eligibility criteria to remove previous and concurrent qualification restrictions</li> <li>• Cease the Additional Identified Skills Shortage (AISS) payment and formally close the Australian Apprenticeship Wage Subsidy (AAWS) program</li> <li>• Keep the Living Away From Home Allowance (LAFHA)</li> <li>• Keep In-Training Support (ITS) places for apprentices</li> <li>• Keep the Disability Australian Apprentice Wage Subsidy (DAAWS)</li> </ul> |
| Option 3 | <p><b>A reformed Australian Apprenticeships Incentive System over two separate phases, provides support to both priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment only to priority occupations from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program.</b></p> <p><b>Main features:</b></p> <ul style="list-style-type: none"> <li>• <b>Two phases of support</b>, from 1 July 2022 to 30 June 2024 and from 1</li> </ul>  |

| Option | Elements   |
|--------|--|
|        | <p data-bbox="459 237 703 271">July 2024 onwards</p> <p data-bbox="363 309 507 342"><b>Phase one:</b></p> <p data-bbox="363 349 616 383"><b>Employer Package:</b></p> <ul data-bbox="411 389 1166 472" style="list-style-type: none"> <li data-bbox="411 389 1142 423">• Employer wage subsidy for <u>priority occupations only</u></li> <li data-bbox="411 434 1166 472">• Employer hiring incentive for <u>non-priority occupations</u></li> </ul> <p data-bbox="363 506 636 539"><b>Apprentice Package:</b></p> <ul data-bbox="411 546 1086 584" style="list-style-type: none"> <li data-bbox="411 546 1086 584">• (as per option 2 with a higher payment amount)</li> </ul> <p data-bbox="363 629 564 663"><b>Youth Support:</b></p> <ul data-bbox="411 669 676 707" style="list-style-type: none"> <li data-bbox="411 669 676 707">• (as per option 2)</li> </ul> <p data-bbox="363 752 927 786"><b>Administrative Elements: (as per option 2)</b></p> <p data-bbox="363 792 512 826"><b>Phase two:</b></p> <p data-bbox="363 833 560 866"><b>Main features:</b></p> <ul data-bbox="411 873 1358 1137" style="list-style-type: none"> <li data-bbox="411 873 1350 956">• Phase 2 is identical to Option 2 and provides a measured step-down of support to 2019 levels.</li> <li data-bbox="411 967 1358 1005">• A priority hiring incentive to replace the employer wage subsidy; and</li> <li data-bbox="411 1016 1190 1055">• A reduction of financial support for priority apprentices.</li> <li data-bbox="411 1066 1326 1137">• No support is provided for non-priority apprentices, incentivising a take up of in-demand skills.</li> </ul> |

## 4.1 Option 1: Introduce the Incentives for Australian Apprenticeships (no further reform)

### **Features of this option**

The IAA would include a simplified payment structure with reduced payment types and streamlined eligibility requirements to make it easier for employers to understand and claim incentives. The IAA includes payments to employers, primarily on commencement and completion of an apprenticeship, and additional payments for key cohorts such as apprentices with a disability or priority occupations. This option would come into effect on 1 July 2022.

#### *Simplified payment structure*

The IAA would have a simplified payment structure comprising 15 payment types (reduced from over 30 under the Australian Apprenticeships Incentives Program (AAIP)) with streamlined eligibility requirements, making it easier for eligible employers to understand and claim incentives.

#### *For the employer*

##### *Standard incentives*

The IAA maintains pre-COVID-19 incentive levels for most employers. These are:

- Payment upon commencement of the apprenticeship: \$1,500
- Payment upon completion of the apprenticeship: \$2,500

For employers of apprentices with a disability, the current wage subsidy would also continue at \$104.30 per week.

##### *Targeted incentives*


In addition to the standard incentives available, eligible employers would be able to access additional incentives if they hire an apprentice from target groups related to age, work location, level of education and existing worker status. These targeted incentives would provide \$750 on commencement and between \$750-\$1,500 upon completion. Incentives would be available to all employers, regardless of business size, to minimise complexity and make the system more attractive and easier to understand for employers.

Under the IAA, the Additional Identified Skills Shortage (AISS) payment would continue, providing \$2,000 on commencement and \$2,000 on completion to employers who hire an apprentice in an occupation experiencing national skills shortage.

#### *For the apprentice or trainee*

Under the IAA, Living Away From Home Allowance (LAFHA) would continue to provide support to apprentices over three years who relocate to undertake their apprenticeship:

- \$77.17 per week in the first year;
- \$38.59 per week in the second year; and
- \$25.00 per week in the third year.



In addition to payments to the employer, the Additional Identified Skills Shortage (AISS) payment would provide \$1,000 after the first year and \$1,000 on completion to the apprentice in an occupation experiencing national skills shortage.

### **Implementation of this option**

#### *Program guidelines*

The implementation of the IAA would be supported by Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.

#### *Grandfathering arrangements*

All existing employers and apprentices on the Australian Apprenticeships Incentives Program (AAIP) that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.

#### *AASN provider contracts*

Implementing the IAA would require a variation to the Australian Apprenticeship Support Network (AASN) provider contract which commenced 1 February 2020. In addition to delivering the new IAA, AASN providers would continue to deliver the AAIP program, as employers would still be eligible to claim AAIP incentives for an Australian Apprentice who commenced prior to 1 July 2022.

#### *Information technology*

The current IT system that underpins Australian Apprenticeships - the Training and Youth Internet Management System (TYIMS) – was set up in 1999 and is at the end of its capability. TYIMS collects all apprenticeships data and supports service provision to employers and apprentices including incentive payments. A new system is under development – the Apprenticeships Data Management System (ADMS). The new incentives framework will be delivered through the new ADMS, however the TYIMS will continue to support existing incentives until the new system is fully operational. ADMS will provide a better user experience, with a strong self-service component for apprentices and employers when lodging claims.

## 4.2 Option 2: Employer hiring incentive (priority occupations)

### **Features of this option**

This option targets apprenticeships in priority occupations only and would come into effect from

1 July 2022. This sends a clear message to apprentices to take up an apprenticeship in an occupation that will lead to qualifications in a skill in a priority occupation. Specific features of this option include:

#### **Main features:**

- Introduction of the Priority List

#### **Employer Package:**

- Employer hiring incentive for priority occupations only

#### **Apprentice Package:**

- New Australian Apprentice Training Support Payment (Support Payment) for priority occupations only
- Expanded access to TSL for priority occupations only

#### **Youth Support:**

- Targeted youth apprenticeship support for eligible Australian apprentices aged 15 to 20 to provide additional In-Training Support (ITS) places for young Australian Apprentices and follow-up phone calls three months after commencement


#### **Administrative Changes:**

- Simplify eligibility criteria to remove previous and concurrent qualification restrictions
- Cease the Additional Identified Skills Shortage (AISS) payment and formally close Australian Apprenticeship Wage Subsidy program
- Keep the Living Away From Home Allowance (LAFHA)
- Keep In-Training Support (ITS) places for apprentices
- Keep the Disability Australian Apprenticeship Wage Support (DAAWS)

#### *The Priority List will be used to target investment to occupations in skills shortages*

A new Apprenticeships Priority List (the Priority List) will be used to identify occupations with a primary apprenticeship pathway that are in current or projected future demand. The Priority List is based on National Skills Commission (NSC) analysis of the occupations in current shortage and future demand over the next five years. The Priority List will consolidate and supersede other occupation lists that have been used for different Australian Apprenticeship programs in the past including the NSNL, the Priority Occupations List, and the Additional Identified Skills Shortage Payment List. The current Priority List is available at Attachment D. Importantly, the Priority List will be reviewed and updated every year, based on the NSC's updated analysis.





Under this option, the level of support an employer or apprentice receives will depend on whether the occupation in which the apprenticeship is undertaken is on the Priority List at the time the apprentice commences. If the occupation is on the Priority List at the time of commencement, the employer and apprentice will remain eligible for support for the duration of the apprenticeship, regardless of whether the occupation is subsequently removed from the Priority List.

#### *Employer hiring incentive for priority occupations*

A hiring incentive would be provided to employers who hire an apprentice in an occupation on the Priority List. These employers would receive \$4,000, which would be paid in instalments of \$1,000 (paid at six months) and \$3,000 paid at 12 months after commencement.

#### *Apprentice Package*

##### *Australian Apprentice Training Support Payment (priority occupations)*

From 1 July 2022, eligible apprentices commencing a Certificate III level qualification or above on the Priority List, would receive \$750 every six months over two years (a total of \$3,000).

The payment would be a regular taxable Support Payment, indexed annually to changes in the Consumer Price Index (CPI) to support apprentices to remain in training and to meet the cost of work and training in the early years of the apprenticeship. The Support Payment will only be available to newly commencing apprentices in occupations on the Priority List. Apprentices who commenced prior to 1 July 2022 will not be eligible.

The purpose of the payment will be to provide apprentices with a financial incentive to remain in training and complete their apprenticeship, at a time when their wages are low and they may be able to secure a higher wage in an unskilled job.

##### *Expand Trade Support Loans – Australian Apprenticeship Support Loans*


The TSL program will be altered to reduce administrative burden and increase support for apprentices in priority occupations, including non-trade Australian Apprentices such as in aged care and childcare. Changes include:

- Align eligibility to offer support for all apprentices on the Priority List, including expansion to non-trade priority occupations;
- Rename the scheme Australian Apprenticeship Support Loans to align with new eligibility for non-trade occupations; and
- AASNs will be allowed greater administrative flexibility to backdate TSL payments to provide immediate support to recipients. This will allow a payment to be backdated to:
  - the date the first application and all future opt ins were made;
  - the date of a missed payment due to an administrative error.

#### *Youth Support*

To support young Australians undertaking an apprenticeship in priority occupations, targeted youth apprenticeship support would be introduced for Australian Apprentices aged 15 to 20. This support would include 2,500 additional ITS places for young Australian





Apprentices (currently approximately 30,000 places are available each year for all Australian Apprentices) and the introduction of a three month follow up call after commencement to provide an opportunity for apprentices to seek advice or request further support.

### *Administrative Changes*

#### *Simplified Prior and Concurrent Qualifications eligibility criteria*

The Prior and Concurrent Qualifications eligibility criteria would be removed to support individuals with previous qualifications to undertake an apprenticeship and encourage lifelong learning. These changes will remove current disincentives for employers to hire experienced candidates with a prior qualification and will also allow experienced apprentices to accelerate their apprenticeship. This will give employers quicker access to qualified workers and facilitate the re-skilling of workers in occupations in high demand.

#### *Ceasing of AISS payment and formal closure of AAWS*

The AAWS trial encouraged employers to hire regional and rural apprentices in priority occupations, consistent with the NSNL. Formally closing the AAWS will remove the need for employers to track multiple lists and payments, reducing complexity within the apprenticeship system. Similarly, from 1 July 2022, the AISS payment will be closed to new participants to allow for introduction of a new incentives system.

### **Implementation of this option**

#### *Legislation*

New primary legislation is recommended for any new incentives system to improve and simplify administration of the program and protect apprentices through strengthened accountability. Additionally, changes to the TSL will need to be reflected in the TSL Act and Rules.

New legislation will not be in place until after 1 July 2022. In the interim, legislative authority and operation of the new program (excluding TSL) will rest on items in the Financial Framework (Supplementary Powers) Schedule 1AB (FFSP) and robust Program Guidelines, similar to the operation of the current program.

Changes to TSL will be implemented once proposed changes to the enabling legislation are made. TSL is governed by the Trade Support Loans Act 2014 and two legislative instruments: the Trade Support Loans Rules 2014 and Trade Support Loans Priority List 2014. It is anticipated that legislation will be introduced in the Spring 2022 sittings.

#### *Program Guidelines*

The implementation of the AAIS would be supported by new Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.

#### *Grandfathering arrangements*

All existing employers and apprentices on the current program that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.



### *AASN provider contracts*

Implementing the new incentives model would require a variation to the AASN provider contract which commenced on 1 February 2020.

In addition to delivering the new model, AASN providers would also continue to deliver the current program, as employers claiming incentives for an Australian Apprentice prior to 1 July 2022 would continue to receive payments under the AAIP payment structure for that apprentice.

### *Information technology*

ADMS will continue to be rolled out incrementally as an agile IT project from October 2020 through to 30 June 2024. TYIMS will continue to support existing incentives while ADMS is being developed and program elements are transferred from TYIMS. New incentives and arrangements will be supported on ADMS.

### *Stakeholder engagement*

As part of implementation, consultation with key stakeholders (including the AASN) would be undertaken. Additionally, the Priority List will be carefully communicated to ensure stakeholders understand how the Priority List is updated and where to find current information.

### 4.3 Option 3: A phased option of the Australian Apprenticeships Incentive System with the flexibility to respond to economic conditions

Under Option 3, the Australian Government would introduce a reformed Australian Apprenticeships Incentive System over two separate phases, to provide support to priority and non-priority occupations during the COVID-19 recovery from 1 July 2022 to 30 June 2024, before targeting investment only to priority occupations only from 1 July 2024. This will prioritise the development of in-demand skills while providing a manageable step down in support from the BAC program.

The first phase of this option would feature a wage subsidy for employers of apprentices in priority occupations, hiring incentives for employers of apprentices in non-priority occupations, and a direct payment to priority apprentices to help them meet the costs of living while training. This phase would begin on 1 July 2022 and would conclude on 30 June 2024.

From 1 July 2024 the second phase would begin, which would match Option 2. Financial support would stabilise around 2019 levels and will only be available for priority apprentices and their employers to ensure that it is targeting the skills in demand across the economy. The wage subsidy will be replaced with a hiring incentive and the direct payment will be reduced. The hiring incentive for non-priority apprentices will be removed.

#### **Features of this option (phase one)**

Phase one between 1 July 2022 and 30 June 2024:

- Wage subsidy for employers in priority occupations;
- Employer hiring incentive for employers of apprentices in non-priority occupations;
- Apprentice payment (same as Option 2, but with a higher payment amount);
- Introduction of the new Priority List (same as per Option 2);
- Youth support (same as per Option 2); and
- Administrative changes (same as per Option 2).

#### *Wage subsidy for the employer of an apprentice in a priority occupation*

Under this option an employer of an apprentice in a priority occupation would be paid a wage subsidy as set out below:

- **10 per cent of wages** paid in the first year, up to a maximum of \$1,500 per quarter per apprentice;
- **10 per cent of wages** paid in the second year, up to a maximum of \$1,500 per quarter per apprentice; and
- **5 per cent of wages** paid in the third year, up to a maximum of \$750 per quarter per apprentice.

The maximum an employer could claim over the life of an apprenticeship is \$15,000.

#### *Employer hiring incentive for employers of apprentices in non-priority occupations:*

The hiring incentive would provide employers of apprentices in non-priority occupations a \$3,500 incentive payment paid in two instalments. An instalment of \$1,750 would be payable at six and 12 months after hiring an apprentice in a non-priority occupation. These payments would act as encouragement for employers to invest in and support a highly skilled Australian workforce.

After this, the program will progress to phase two with a reduced level of government investment comparable to 2019 levels, equal to Option 2.

#### *Apprentice package*

##### *Australian Apprentice Training Support Payment (priority occupations)*

The Apprentice Training Support Payment arrangements for Option 3 are the same as Option 2, but with a higher payment amount. From 1 July 2022, eligible apprentices commencing a Certificate III level qualification or above on the Priority List, would receive \$1,250 every six months over two years (a total of \$5,000).

#### **Features of this option (phase two)**

##### *Hiring incentives for employers in priority occupations only*

During phase two, Australian Government support would only be available for apprentices training in priority occupations listed on the Priority List. This is to maximise Australian Government support towards those training in demand skills, and to incentivise apprentices towards these priority areas. The employer wage subsidy from phase one would be replaced by a hiring incentive of \$4,000 for employers of apprentices training in priority occupations to encourage employers to take on further apprentices.

##### *No support for employers in non-priority occupations*

In phase two there would be no incentives for employers of apprentices in a non-priority occupation or for apprentices commencing in non-priority occupations. This sends a clear message to apprentices to take up an apprenticeship in an occupation that will lead to qualifications in a skill in demand.

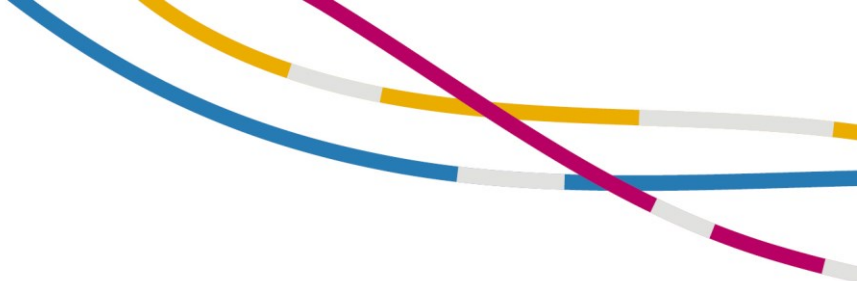
#### *Apprentice package*

##### *Australian Apprentice Training Support Payment (priority occupations)*

From 1 July 2024, the Apprentice Training Support Payment arrangements for Option 3 would be the same as Option 2. Eligible apprentices commencing a Certificate III level qualification or above on the Priority List would receive \$750 every six months over two years (a total of \$3,000).

#### **Implementation of this option**

As in Option 2, implementation of Option 3 would require new legislation, developing new program guidelines and updated contracts with the AASN. Grandfathering arrangements would also be the same for employers and apprentices already in receipt of incentives and priority occupations will be determined by the Priority List as in Option 2.



Stakeholder management and careful communication will be necessary to ensure AASNs, employers and apprentices are aware of the change in support after 1 July 2024.

The IT requirements will also require a staged approach to accommodate both sets of changes. The rollout of the ADMS will support the AASNs through streamlined IT processes and enable system changes between the two phases to be implemented.

## Chapter Five: Net Benefit of the Options

The following section presents an analysis of the potential benefits and costs of the policy options explored in this Regulatory Impact Statement (RIS). Potential regulatory, social and economic impacts are considered for Australian Apprentices, employers, Australian Apprenticeship Support Network (AASN) providers, the Australian Government and the broader community.

### 5.1 Option 1: Implement the IAA as announced (no further reform)

#### Key impacts

This option would:

- Simplify incentives available for Australian Apprenticeships by halving the number of payment types and streamlining eligibility requirements;
- Provide regulatory certainty for providers;
- Have minimal additional costs to Australian Government;
- Have minimal impact on declining commencements and completion rates; and
- Have minimal impact on addressing skill shortages.

#### Who would this option impact?

Those directly impacted by this option include:


- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of the Boosting Apprenticeship Commencements (BAC) program);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who provide advice and support to employers and apprentices including on incentives.

#### Overall impact – how does it address the problem?

The Incentives for Australian Apprenticeships (IAA) program will only address two out of five options identified in Chapter Two. The IAA will simplify the incentives system for apprentices and employers and continue to provide non-financial support to apprentices. As a result, apprentices and employers will be unequipped to address rising costs, incentives will continue to focus on the employer instead of apprentices and the program will have minimal impact on reducing skill shortages.

#### Does not address - Incentives should be targeted to address skill shortages

This option is unlikely to prevent commencements from continuing to decline below pre-COVID-19 levels and increasing low completion rates for Australian Apprenticeships as it does not address most of the barriers to establishing a successful apprenticeship system (outlined in Chapter Two).



This option does not direct support to priority occupations and will not assist in building Australia's pipeline of skilled workers, in areas of critical need.

**Does not address – Incentives should respond to high and increasing costs**

Under the IAA, current incentive levels (pre-COVID) would be maintained for most employers. The Productivity Commission and others highlight how employer incentives under the current program are too modest and have little effect on decision-making by employers of trade apprentices particularly. Employers of apprentices and trainees have benefited from increased levels of support in response to the impact of COVID-19 through the BAC and Completing Apprenticeship Commencements (CAC) measures. While these measures were designed to be short term, the nature of incentives under the IAA does not provide for a gradual reduction in support for these employers and thus the modest nature of IAA incentives is magnified.

**Does not address - Incentives should focus on the decision maker**

The Productivity Commission recently found to increase the overall stock of apprentices, policy design should aim to increase both commencements and completions.<sup>52</sup> This is supported by research and analysis undertaken over the previous decade indicating incentives are best directed at the party responsible for decision-making.

While employers are critical to the supply of apprentices, the apprentice is responsible for both the decision to undertake an apprenticeship and then to complete it. Implementing the IAA without providing sufficient support to apprentices would see retention and completion rates return to pre-COVID-19 levels, and potentially decline further.

Failure to increase support for retention would undermine employers' confidence in the apprenticeship system and jeopardise the supply of qualified workers into critical sectors that rely on apprenticeships to enter the workforce, such as technicians and trade workers – which include electricians, carpenters, chefs, fitters and motor mechanics.

**Addresses - Incentives should be easy to navigate and understand**


The implementation of the IAA as announced would simplify incentives for Australian Apprenticeships, improving access for all stakeholders, reducing over 30 payment types to around 15. This would positively impact all stakeholders by reducing the time required to sift through large volumes of information to determine eligibility for incentives. While this approach responds to some of the concerns from employers and apprentices regarding the complexity of the existing current program, further simplification is needed to ensure complexity in incentives is not a barrier to participation for employers and apprentices.

While the proposed option would decrease the number of incentives available, the IAA does not differ from the current program significantly as it is still made up of a category of incentives paid upon commencement or completion of an apprenticeship. Apprentices would also continue to receive similar assistance under the IAA compared to the current

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<sup>52</sup> Productivity Commission (2020) *National Agreement for Skills and Workforce Development Review*, [www.pc.gov.au](http://www.pc.gov.au) (accessed 23 June 2021)





program. As such, the information and necessary documentation that employers and Australian Apprentices are required to provide at sign-up and when claiming a payment would not change. Given these arrangements, employers and apprentices are not expected to experience a material change in their compliance costs.

#### **Addresses - Non-financial support should be provided**

The IAA will continue to provide apprentices with non-financial support including retaining the In-Training Support for all apprentices and tutorial, mentoring and interpreter services for apprentices with a disability. This support is important to ensure apprentices are supported through to completion.

#### **Impacts on apprentices**

This option does not provide additional support to apprentices. Implementing the IAA without any additional financial support to apprentices would see the retention and completion rates remain stagnant, and potentially decline further. Given completion rates sit at 56.1 per cent (for those commencing in 2016),<sup>53</sup> failure to increase support for retention would continue to negatively impact on the return on investment in the apprenticeship system and the supply of qualified workers into the economy.

#### **Impacts on employers**

Under the IAA, current incentive levels (those prior to COVID-19 measures) will be maintained for most employers, and employers claiming incentives for an Australian Apprentice prior to 1 July 2022 would continue to receive payments under the current program payment structure.

The IAA will not significantly change the timing of when incentives are paid to employers. Payment of commencement incentives would still occur at six months after commencement and after three months for recommencement. Research has found delayed incentive payments have a negative impact on commencement rates for small and medium sized businesses.

Incentives targeted at particular cohorts would remain. Employers of apprentices and trainees in rural and regional areas will still receive additional support through the Rural and Regional component of the Target Groups incentives. Employers of apprentices aged 21 years or older would still be eligible for the Support for Adult Australian Apprentices incentive. However, cohorts like young Australians would not receive any additional support and would be disadvantaged under this model (relative to the other options).

Removing the difference in eligibility between full-time and part-time workers would encourage employers to offer more flexible working arrangements. This will give employers more flexibility to match apprentices with their business needs and is likely to particularly

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<sup>53</sup> NCVER (2021) *Issues in apprenticeships and traineeships – a research synthesis*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 27 January 2022).



benefit women or older workers who want to do an apprenticeship or traineeship but are not able to work full-time.

Changing the Australian School-based Apprenticeship (ASbA) retention incentive to a completion incentive would encourage employers to retain apprentices beyond the 12 weeks required to claim this incentive. This may result in improved employment outcomes for the apprentice. This change simplifies the incentives payment structure by removing the last remaining retention incentive.

### **Impacts on AASNs**

AASN providers are engaged under a fee-for service arrangement with the Australian Government, which are excluded under the Regulatory Burden Measurement Framework. However, AASN providers would have a period of additional burden as they become familiar with the new incentive structure. Following this change period, AASN providers should find the delivery of their services to employers and apprentices less time consuming due to the reduced number of payment types and eligibility requirements to navigate and advise on. However, whilst the transition to a modern apprenticeship technology platform occurs, there would be additional administrative burden on the AASN providers as manual workarounds are required and grandfathering arrangements are in place.

### **Impact on commencements and completions**

Implementing the IAA is expected to result in annual Australian Apprentice commencements returning to pre-COVID-19 levels of around 151,000 from 1 July 2022. There is not expected to be any material impact on the proportion of Australian Apprentices who complete their apprenticeship.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level, with no reduction in the expected number of Australian Apprentices with a disability.


The number of Australian Apprentice commencements who identify with specific cohorts, such as women in non-traditional trade and Indigenous Australians, is expected to return to an average level from pre-COVID-19.

### **Regulatory costs**

The regulatory cost of Option 1 is neutral. The introduction of the IAA has already been agreed and will come into effect if no action is taken. Therefore, implementing the IAA is the baseline option.

**Table 5: Regulatory costs of Option 1 (baseline)**

| Average annual regulatory costs (baseline option) |          |                         |             |                       |
|---|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$ million)                      | Business | Community organisations | Individuals | Total change in costs |



| Average annual regulatory costs (baseline option) |          |                         |             |                       |
|---|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$ million)                      | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector                                  | N/A      | N/A                     | N/A         | N/A                   |

## 5.2 Option 2: New incentives program that targets priority skills – Employer hiring incentive for priority occupations

### **Key impacts**

This option would:

- Modernise program settings to respond to emerging economic conditions;
- Reduce regulatory burden;
- Provide additional financial support to all apprentices in priority occupations;
- Retain non-financial support to apprentices at risk of cancellation;
- Increase financial support for apprentices in priority occupations;
- Support for employers in both priority and non-priority occupations;
- Incentivise apprentices to take up in-demand skills occupations; and
- Increase support for young Australians.

### **Who would this option impact?**

Those directly impacted by this option include:

- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of BAC);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who provide advice and support to employers and apprentices including on incentives.

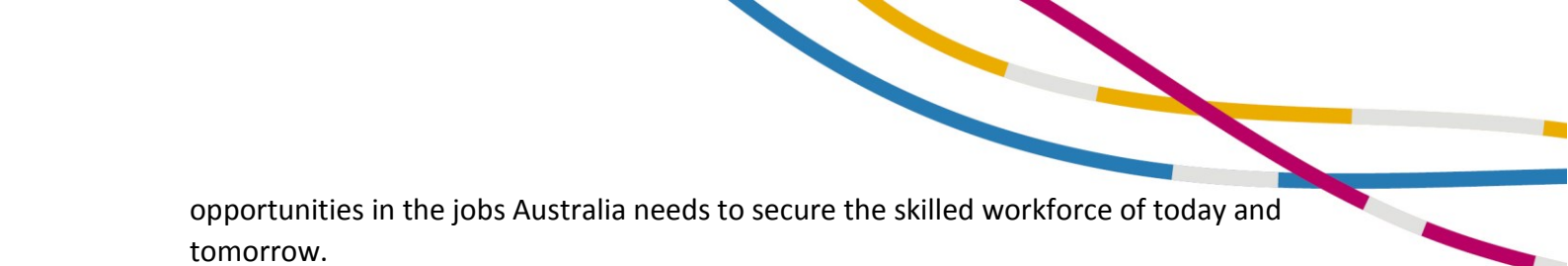
### **Overall impact – how does it address the problem?**

The overall impact of this option would be a decline of around 24,500 in total Australian Apprenticeship commencements and a related decline in completions from pre-COVID-19 levels.

This option addresses three out of five policy issues identified in Chapter Two. This option addresses the financial barriers for employers and apprentices in priority occupations undertaking an apprenticeship. Targeting incentives towards priority skills areas and key industries reduces expenditure and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into a future skilled workforce.

#### [Addresses - Incentives should be targeted to address skill shortages](#)

Australia is experiencing major workforce skills shortages which apprentices can fill. There are significant skills shortages across Australia in a number of key industries and occupations, with 38 per cent of skills shortages in occupations with a vocational pathway, including construction, manufacturing and aged care. Promoting apprenticeships in priority occupations as a rewarding pathway is important to encourage individuals to take-up



opportunities in the jobs Australia needs to secure the skilled workforce of today and tomorrow.

This option targets incentives towards priority skills areas and key industries. In turn, this reduces expenditure and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into a future skilled workforce.

The Priority List ensures incentives provide support to priority skills occupations, including anticipated areas of skills needs. Through targeting, this package is expected to lead to a slight increase in commencements and completions in priority occupations. It is also expected to lead to an increase in the supply of apprenticeship opportunities in key industries.

**Does not address – Incentives should respond to high and increasing costs**

This option will provide greater financial support to apprentices in priority occupations and recognises the limitations of current apprentice wage structures. The Australian Apprenticeship Training Support Payment will increase the attractiveness of an apprenticeship in areas of critical skills shortage. It will also benefit their employers, as this approach mimics a wage increase without putting the burden on the employer to cover the costs.

However, under this option, employers of apprentices in non-priority occupations will go from attracting on average around \$3,500 in employer incentive payments under the pre-COVID-19 AAIP to no longer attracting any government support. This will result in a decrease in non-priority commencements and completions as employers opt for a different employment model, including for example more casual and part time employees.

Even for employers in priority occupations, the \$4,000 hiring incentive for employers of apprentices in a priority occupation could be a step down for employers who may have been able to access additional incentive payments if the apprentice met other eligibility criteria under the AAIP. Overall, this option does not address high costs associated with rising wages and up-front hiring costs.

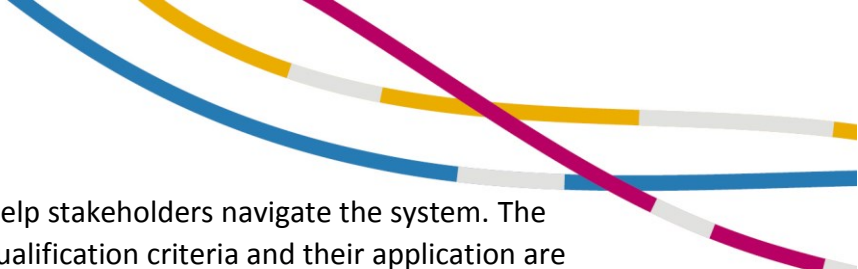
**Partly addresses - Incentives should focus on the decision maker**

The Apprentice Support Payment and Trade Support Loans (TSL) help address the costs for apprentices in priority occupations. Mitigating these initial upfront costs, such as a loan to buy necessary tools or equipment, is expected to help attract and retain apprentices in areas with skill shortages.

**Addresses - Incentives should be easy to navigate and understand**

This option will simplify the payment structure of the incentives system to improve access for all stakeholders by reducing over 30 payment types to around five.

This option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts and AASN providers would continue to be contracted by the Australian Government to deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.



Several administrative changes will also help stakeholders navigate the system. The recognition of previous and concurrent qualification criteria and their application are regarded by stakeholders as complex and slowing the sign-up of Australian Apprentices. Simplifying the criteria for recognising prior and concurrent qualifications is expected to reduce regulatory burden for potential Australian Apprentices and employers during the sign-up process at commencement.

#### **Addresses - Non-financial support should be provided**

Almost half of Australian Apprentices never complete their apprenticeship – further diminishing the return on investment in the Australian Apprenticeship system. Program data shows Australian Apprentices who received ITS, as opposed to those who did not, were 8.7 per cent more likely to complete; 10.7 per cent less likely to cancel or withdraw from their apprenticeship; 9.8 per cent more likely to be retained by their employer; and 42.3 per cent more likely to resume from suspension as at 28 February 2022.<sup>54</sup>

Under this option, AASN providers will continue to provide apprentices and employers with a range of non-financial supports, from general universal support services from sign up to completion through to more intensive ITS, which offers personalised support to those at risk of not completing. Additionally, young apprentices will receive additional support through the youth support – including dedicated ITS places and additional support from their AASN provider.

#### **Impacts on apprentices**

The estimated impact on commencements and completions due to the changed incentives under this option, including specific cohorts such as women, are detailed in the *Impact on Commencements and Completions* section.

#### **Priority occupations**

Apprentices in priority occupations will receive the same non-financial support as Option 1 through the apprentice package youth support (See 5.1).

Under this option, apprentices in priority occupations will receive a \$4,000 Support Payment which will support apprentices to complete their apprenticeships. However, this is less financial support than under Option 1.

#### **Non-priority occupations**


Under this option, apprentices in non-priority occupations will not receive any targeted support, which may deter them from taking up or continuing an apprenticeship in a non-priority occupation. This seeks to encourage individuals to take up an apprenticeship in an area of skills need.

#### **Women**

Option 2 is expected to impact the number of commencements for women, as currently

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<sup>54</sup> Internal Department data, unpublished



women tend to be employed in non-priority apprenticeships and traineeships such as retail and hospitality.

By targeting incentives to priority occupations, this option is expected to encourage more women to consider careers in growing sectors, particularly those with high skills shortages, which ultimately tend to be higher paying. Accordingly, it is expected that some of the impact of this option on the commencement numbers for women will be offset by women more often choosing priority occupations. No modelling is available to quantify this ‘switching’ impact.

### **Apprentices with disability**

Using the National Skills Commission’s (NSC) current Skills Priority List (SPL) and National Centre for Vocational Education Research (NCVER) in-training data, 5,100 apprentices with a disability would be eligible for the current Priority List.<sup>55</sup>

### **Younger Australians (under 20)**

Youth Support targets young Australians, aged 20 or under, in priority occupations. Data from the Australian Institute of Health and Welfare’s Australia’s Youth report released in June 2021, shows that compared to older age groups, young people experienced higher rates of psychological distress, job loss and educational disruption due to the COVID-19 pandemic. While the economy has begun to recover from the impacts of COVID-19, youth unemployment remains high. The latest Australian Bureau of Statistics (ABS) data from February 2022 shows the youth unemployment rate is double that of the overall population, at 9.3 per cent compared to 4.0 per cent.<sup>56</sup> Extended periods of unemployment and disengagement from the labour market can have lasting effects that negatively impact individuals and the economy more broadly. It can lead to skill losses and reduce the lifetime earnings potential of individuals. It can also force young people into unstable work at a lower pay.

Increasing the supports available to young people will ensure the apprenticeship system is well placed to service and support young Australian apprentices. This support will help young apprentices overcome challenges associated with entering the workforce and help them to remain attached to the labour market.

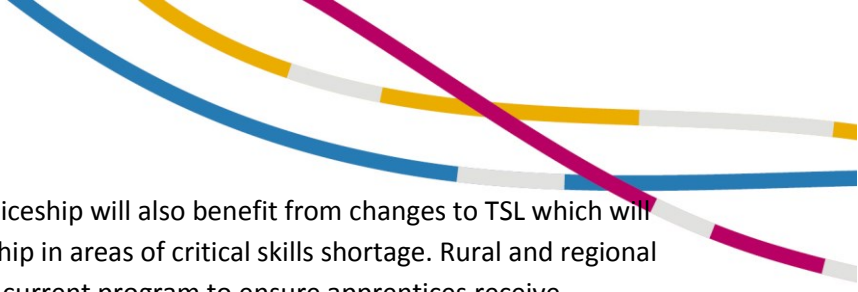
### **Regional and rural Australians**

Low apprenticeship wages and rising basic living costs have an even greater effect for those living in regional and rural communities. Regional apprentices in priority occupations will benefit from increased access to financial support over the life of their apprenticeship. Regional apprentices in priority and non-priority occupations will continue to benefit through the provision of a Support Payment and ability to access the Living Away From Home Allowance (LAFHA). Retaining the LAFHA will ensure regional and rural Australians are supported to meet the costs associated with moving away from home.

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<sup>55</sup> NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 1 November 2021)

<sup>56</sup> Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)



Regional apprentices undertaking an apprenticeship will also benefit from changes to TSL which will increase the attractiveness of an apprenticeship in areas of critical skills shortage. Rural and regional eligibility for TSL will also be aligned with the current program to ensure apprentices receive adequate support to carry them through to completion.

This option's targeting to skills in demand is designed to encourage regional apprentices to train in priority occupations in the future. Using the NSC's current SPL and NCVER in-training data, 74,678 apprentices in regional and rural Australia are in occupations on the current Priority List.<sup>57</sup>

## **Impacts on employers**

### **Priority occupations**

Wage costs and other expenses associated with running a business have grown substantially over the past two decades, however the total standard incentives available to an eligible employer of an Australian Apprentice have remained unchanged at \$4,000 since 1998.

The BAC measure has demonstrated the market is responsive to effective policy changes. The \$4,000 hiring incentive available to employers in priority occupations is comparable with the current standard incentive amount available under the AAIP.

### **Employers of apprentices in non-priority occupations will no longer receive government support**

Employers of apprentices in non-priority occupations will receive no financial support. This is due to the Government returning to a fiscally sustainable setting that targets government support to the skills most in demand with a clear apprenticeship pathway.

### **Small and medium businesses**

Employers identify the cost of hiring an apprentice or trainee, particularly the initial upfront costs, as a key barrier to engaging employees on an apprenticeship pathway. This includes the initial cost of recruitment, ongoing costs of wages, supervising and training an apprentice and the real or perceived lack of productivity in the early years of an apprenticeship when supervision costs are high and productivity is low. These imposts are greater for small businesses who have to be more rigid with their business models and costs.

The hiring incentive, which provides greater financial support in the first years of an apprenticeship, is expected to support some small sized businesses in priority areas to take on and retain apprentices. Small employers, compared to medium and large employers, are more highly represented in priority occupations than non-priority occupations.

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<sup>57</sup> NCVER (October 2021) *Apprentices and trainees – March quarter 2021*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 1 November 2021)



### **Impact on commencements and completions**

Implementing Option Two is expected to result in an increase in annual Australian Apprentice commencements in priority occupations of around 5,500 compared to pre-COVID-19 levels.

Due to the lack of support for Australian Apprentices in non-priority occupations, research indicates that there may be a reduction of around 30,500 in annual non-priority Australian Apprenticeship commencements.

This option is expected to increase the proportion of Australian Apprentices who complete their priority apprenticeship by 4.2 per cent.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level with no reduction in number of Australian Apprentices with a disability expected.

With no targeted support for specific cohorts, Australian Apprentice commencements who identify with specific cohorts are expected to make up a similar proportion of commencements to the pre-COVID-19 average. However, this assessment does not take into account the expected change in occupation preferences that the new incentives model is intended to encourage and as a result should be treated with caution.

Due to a higher proportion of women represented in non-priority occupations, a reduction of female traineeships of around 14,000 per annum is expected. However, the inclusion of major caring professional occupations on the new skills list and expansion of the TSL program to include traineeships in the care sector is expected to primarily benefit female apprentices and trainees.

Indigenous Australians have historically been over-represented in non-priority traineeships. Under Option Two around 2,000 (-27 per cent) fewer annual commencements from Indigenous Australians are estimated, with expected annual commencement of 8,500. However, this figure assumes no change in the occupations that Indigenous Australians choose to study in. It is expected that the new incentives scheme – particularly the Support Payment – will influence occupation choice and direct more Indigenous Australians to priority occupations, with strong employment and wage prospects.

A reduction in estimated apprentice and trainee commencements does not necessarily equate to a reduction in jobs. For non-priority occupations – where an apprenticeship may not be a primary pathway – a reduction in apprentice commencements is likely to be due to employers engaging workers directly and not through the training system. This is not a loss of jobs for the non-priority sectors; it is a change in the terms and conditions under which an individual is employed.

### **Regulatory impact**

The proposed option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts and AASN providers would continue to be contracted by the Australian Government to



deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.

### **Regulatory costs**

Regulatory costs associated with Option 2 are provided in Table 6 and are based on the Regulatory Burden Measurement Framework, program data and expected changes in commencements and claim requirements

The regulatory costs associated with Option 2 are administrative costs with claiming for incentives under the option and establishing an apprenticeship. The regulatory impact and cost of this option is due to the changed number of individuals and employers accessing the apprenticeship system, change in time and effort to claim, and a transitional cost for employers to familiarise themselves with the new system.

Employer time cost is assumed to be \$73.05 an hour, while an apprentice is assumed to be \$32.00 per hour.

Under Option 2, it is expected that around 77,500 apprentices will attract an employer and apprentice incentive. For employers, claims are expected to be simpler than the current system (10 minutes of effort saved) while this would be a new claim for apprentices and therefore require an additional 40 minutes of effort. Around 47,500 apprentices are estimated to no longer attract an incentive for their employer (non-priority occupations) which would reduce effort cost by 20 minutes for each employer.

Administrative cost savings are expected for employers of around 30,500 individuals who no longer engage their non-priority employee as an apprentice or trainee. It is expected this would reduce time effort by 120 minutes per individual.

Based on program data it is expected that around 62,000 employers will need on average 60 minutes to familiarise themselves with the changed incentive system.

**Table 6: Regulatory costs of Option 2**

| Average annual regulatory costs (baseline option) |          |                         |             |                       |
|---|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$ million)                      | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector                                  | -5.215   | N/A                     | 1.573       | -3.642                |

### 5.3 Option 3: New incentives model - Phased

#### **Key impacts**

This option would:

- Enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment levels once post-pandemic economic conditions stabilise;
- Simplify the program and reduce administrative burden;
- Create a system that is easier to navigate;
- Provide financial and non-financial support to all apprentices and employers of apprentices between 1 July 2022 and 30 June 2024;
- Increase financial support for apprentices in priority occupations; and
- Incentivise apprentices to take up in-demand skills.

#### **Who would this option impact?**

Those directly impacted by this option include:


- Individuals considering taking up an Australian Apprenticeship (approximately 151,000 apprentices commenced in 2019 prior to the introduction of BAC);
- Employers and prospective employers of Australian Apprentices; and
- The seven AASN providers who are required to deliver, navigate, understand and advise on incentives.

#### **Overall impact – how does it address the problem?**

This phased model will address all five problems with current apprenticeship incentives identified in Chapter Two, particularly in the first two years. It will prioritise support towards areas with skill shortages and will provide increased financial support to minimise rising costs. The model will also simplify the apprenticeship incentive system to reduce administrative burden and will maintain non-financial support for apprentices.

This proposal would introduce a new apprenticeships incentive system in two stages to provide a manageable step down in support from the BAC program for 2022-23 and 2023-24, before further reducing to pre-COVID-19 levels from 1 July 2024.

This approach would strengthen the targeting of Australian Government investment to priority occupations, withdrawing funding from non-priority occupations in phases. It would also enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to a pre-COVID-19 level of investment once post-pandemic economic conditions stabilise.



This package's first phase between 1 July 2022 and 30 June 2024 provides support to a broader cohort of apprentices and higher levels of support for priority occupations. The hiring incentive for non-priority occupations, coupled with the wage subsidy for priority occupations, ensures all employers are provided with some level of financial support.

This package's second phase, from 1 July 2024 and following a checkpoint to confirm economic conditions have stabilised, responds to changing economic conditions. It targets incentives towards priority occupations and key industries, which will reduce expenditure and focus on qualifications where there is the greatest need to ensure an appropriate level of investment is targeted to the future workforce.

#### **Addresses - Incentives should be targeted to address skill shortages**

The ongoing shortage of priority skills in Australia is a key economic problem that apprentices are uniquely suited to fill. Ensuring that apprenticeships fill these shortages is an important element of the vocational pipeline and will ensure Australia has a highly skilled workforce in the future.

This option will focus most support towards apprentices training in priority occupations, in both phases one and two.

During phase two, there would be no financial support for employers of apprentices in non-priority occupations. Because of this, commencements and completions in non-priority occupations are expected to decline from 1 July 2024. However, this option is projected to increase commencements and completions in priority areas and should incentivise apprentices towards choosing a skill in-demand, supporting the upskilling of the Australian workforce.

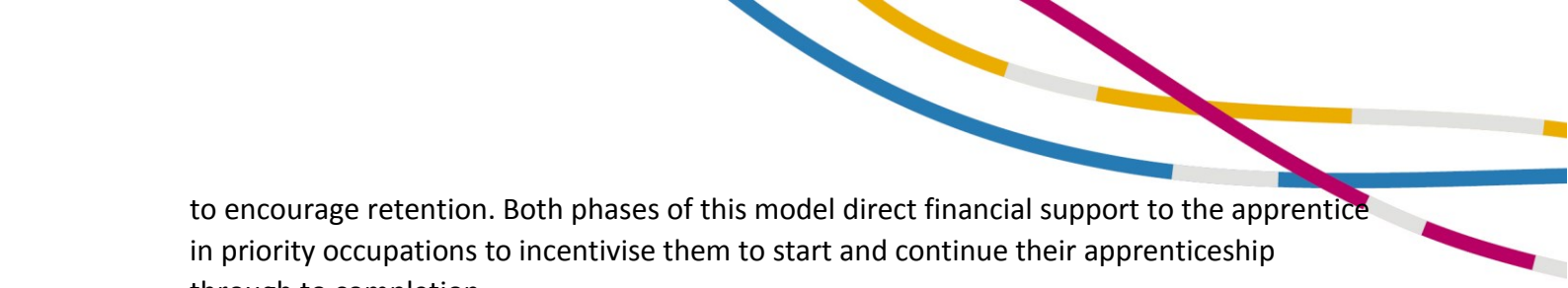
#### **Addresses - Costs remain high and are increasing**

Employer incentives under the current system are too modest to encourage employers to take up apprentices and have not matched rising costs of taking on an apprentice, particularly in the first two years of an apprenticeship. COVID-19 levels of support under the BAC and CAC have been successful at meeting these higher costs but were only designed as temporary measures.

Under this phased model, financial support will be increased for employers in priority occupations compared to pre-COVID-19. The wage subsidy during phase one will subsidise employers during their highest level of financial burden (the first and second years of the apprenticeship), while the higher hiring incentive during phase two will continue to make a financial contribution to the costs of onboarding an apprentice. Employers of apprentices in non-priority occupations will also receive financial support during phase one through a hiring incentive, ensuring that support is maintained during the economic recovery.

#### **Addresses - Incentives do not focus on the decision maker**

Research demonstrates that the apprentice, not the employer, is the key decision maker influencing the initial decision to commence an apprenticeship, the occupation in which they choose to study and whether to continue through to completion. Current incentives are generally not targeted to the apprentices and do not provide enough financial support



to encourage retention. Both phases of this model direct financial support to the apprentice in priority occupations to incentivise them to start and continue their apprenticeship through to completion.

#### **Addresses - Incentives are difficult to navigate and understand**

The current apprenticeships incentive system has been criticised for being too complex, with 30 separate payment types available for employers and apprentices. This complexity adds an administrative burden to the system, discouraging employers from wanting to take on an apprentice and making it difficult for apprentices to understand their entitlements.

Under this phased model, this system would be significantly simplified, with payment types reduced to five, consistent with recommendations made by the Joyce Review. In addition, further administrative changes to the system would help reduce complexity. The phased system would recognise prior and concurrent qualifications, which has been a frequent frustration expressed by stakeholders during the sign-up process. This should minimise the regulatory burden of the system. However, this option is more complex than other options presented in this RIS as it involves changing the incentives structure after two years.

#### **Addresses - Non-financial support is needed**

This phased model will continue the non-financial support that currently exists under the AAIP, including ITS. In addition, further non-financial support will be introduced for young apprentices, including allocating specific ITS places for youth in priority occupations and introducing further support from their AASN provider through a phone call at three months after commencement.

Apprentices who have received non-financial support under the AAIP have been more likely to complete their apprenticeship.<sup>58</sup>

#### **Impacts on apprentices**

The estimated impact on commencements and completions due to the changed incentives under this option, including specific cohorts such as women, are detailed in the *Impact on Commencements and Completions* section.

#### **Financial support for priority occupations**

Apprentices training in priority occupations will receive direct financial support under the phased option.

#### **Continued non-financial support**

Both priority and non-priority apprentices will receive non-financial support focused on addressing barriers to completion under this model, which will be retained from the AAIP.

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<sup>58</sup> Deloitte Access Economics (2012), *Econometric Analysis of the Australian Apprenticeships Incentives Program*.

### Less complexity in the system

The reduction in the number of payment options as well as changes to eligibility requirements for recognition of prior and concurrent qualifications will make the system easier for apprentices to navigate.

### Non-priority occupations

Under all options, apprentices in non-priority occupations will not attract any incentives. Employers of apprentices in priority occupations receiving funding are also likely to impact the number of commencements in non-priority occupations. Employers of non-priority apprentices will continue to be supported for the first two years (between 1 July 2022 and 30 June 2024), encouraging employers across the labour market to appropriately train and educate their workforce, providing greater workforce mobility for the future.

### Impact on specific cohorts

#### **Younger Australians (under 20)**

Younger Australians were particularly affected by COVID-19 experiencing a higher proportion of unemployment. The latest ABS data from February 2022 shows the youth unemployment rate is double that of the overall population, at 9.3 per cent compared to 4.0 per cent.<sup>59</sup>

Younger Australians are the largest cohort in the AAIP, meaning they have the greatest impact on commencements and completions. The youth support provides increased non-financial support which will help improve the completion rate for this cohort. The youth support will be available during both phases of this option.

#### **1 July 2022- 30 June 2024**

The priority wage subsidy will have a positive impact on commencements for younger Australians. Using NCVET in-training data, 95,640 young apprentices would be eligible for the current Priority List.<sup>60</sup>

#### **From 1 July 2024 onwards**

As the economy rebounds from the uncertain and volatile conditions engendered by COVID-19, the level of support for employers of young apprentices will reduce to meet stable economic conditions. As a result, the second phase will result in a reduction in commencements for young apprentices. The rate of completion for this cohort is anticipated to remain elevated during this phase due to the youth support.


#### **Regional and rural Australians**

The take-up of the LAHFA payment is highest amongst regional and rural apprentices. Retaining this measure, coupled with the Apprentice Support Payment and ITS, will help

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<sup>59</sup> Australian Bureau of Statistics (2022) *Labour Force, Australia – February 2022 Release* (accessed 22 March 2022)

<sup>60</sup> NCVET (October 2021) *Apprentices and trainees – March quarter 2021*, [www.ncvet.edu.au](http://www.ncvet.edu.au) (accessed 1 November 2021)



improve completions for regional and rural Australians. Additionally, the Apprentice Support Payment will help apprentices in priority occupations address one of the key barriers of increasing costs in the Apprenticeship system.

#### **1 July 2022- 30 June 2024**

During the first phase of support, commencements are anticipated to increase for regional and rural apprentices compared to pre-COVID-19 levels.

#### **From 1 July 2024 onwards**

As the economy stabilises from the uncertain and volatile conditions engendered by COVID-19, the level of support for employers of regional and rural apprentices will reduce to meet stable economic conditions. As a result, the second phase will result in a reduction in regional and rural apprenticeship commencements. However, by directing investment towards skills in demand, this option will encourage more regional apprentices to train in priority occupations.

#### **Indigenous Australians**

By continuing support for ITS, Indigenous Australian apprentices will continue to be supported by AASNs through mentoring, career support and referral pathways. In addition, the increase in financial support towards priority apprentices will help Indigenous Australian apprentices studying in demand areas of the economy.

#### **1 July 2022- 30 June 2024**

During the first phase of support, commencements are anticipated to increase for Indigenous Australians.

#### **From 1 July 2024 onwards**

As support levels for employers drop, commencements are anticipated to drop as the economy recovers from the impacts of COVID-19. In phase two, Indigenous Australian apprentices will be encouraged to train in priority occupations which are more likely to provide secure employment in the future.

#### **Impacts on employers**

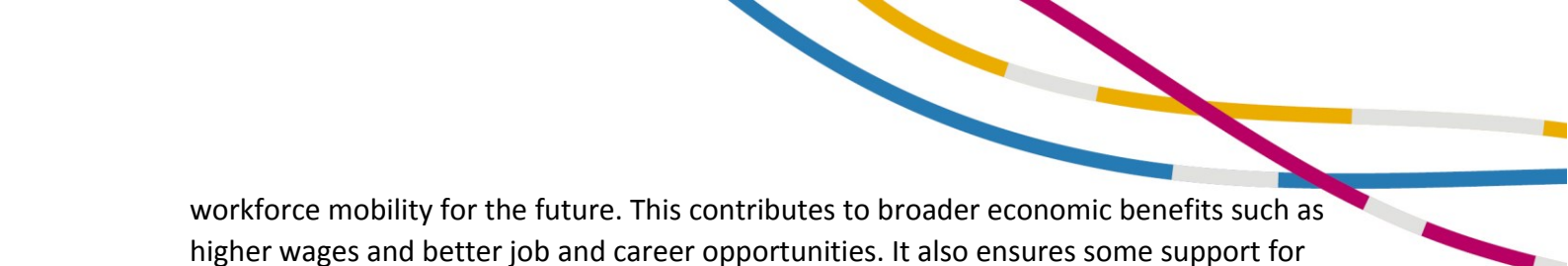
**Employers of apprentices in non-priority occupations will receive support comparable to pre-COVID-19 levels until 1 July 2024.**

Under this phased option employers of apprentices in non-priority occupations will receive financial support comparable to the current standard incentive amount available under the AAIP in phase one.

Between 1 July 2022 and 30 June 2024 this option continues to provide a base level of support with a hiring incentive of \$3,500 paid in two instalments at six and 12 months from commencement to encourage employers to upskill their workforce providing greater labour mobility and broader economic benefits.

Continuing some support for non-priority occupations for two years encourages employers across the labour market to formerly train and educate their workforce, providing greater





workforce mobility for the future. This contributes to broader economic benefits such as higher wages and better job and career opportunities. It also ensures some support for sectors that have been adversely impacted by COVID-19, for example tourism and hospitality.

After 1 July 2024, employers of apprentices in non-priority occupations will not be eligible for any government support. This ensures that in the longer term Government support prioritises skills in demand and reduces the financial costs of the system.

#### **Increase in support for priority occupations**

Hiring apprentices can be a financial risk for employers, particularly in the early years of the program. To assist with this, the phased program will initially provide a wage subsidy for employers of priority apprentices. This will subsidise 10 per cent of costs for first year apprentices (up to \$1,500 per quarter), 10 per cent for second year apprentices (up to \$1,500 per quarter), and 5 per cent for third year apprentices (up to \$750 per quarter).

During phase two this will reduce to an hiring incentive of \$4,000 for taking on an apprentice in a priority occupation.

In addition, continued non-financial support through ITS will support apprentices through to completion and ensure issues between employers and apprentices are addressed early.

#### **Impacts on AASNs**

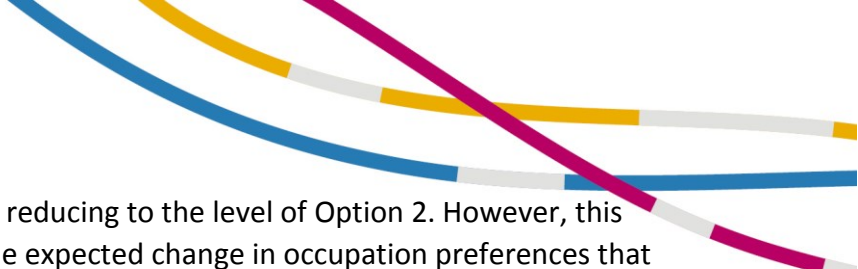
Just as in Options 1 and 2, AASNs will continue to play a central role in the delivery of the new program. While grandfathering arrangements are in place, AASNs will need to deliver two separate models. The increased workload will be mitigated over time by a winding down of COVID-19 economic response measures, namely the BAC measure.

#### **Impact on commencements and completions**

Implementing Option 3 is expected to result in an increase in annual Australian Apprentice commencements in priority occupations initially by around 11,500 per year (for each of the first two years) and then around 5,500 per year (each year ongoing) compared to pre-COVID-19 levels. The number of apprentices supported in non-priority occupations is expected to be maintained at pre-COVID-19 levels before reducing as per Option 2 from July 2024. This option is expected to increase the proportion of Australian Apprentices who complete their priority apprenticeship by 7.4 per cent.

The level of financial and non-financial support provided to Australian Apprentices with a disability would be maintained at the current level with no reduction in the expected number of Australian Apprentices with a disability.

For the purpose of this impact assessment, Australian Apprentice commencements who identify with specific cohorts are assumed to make up a similar proportion of commencements to the pre-COVID-19 average. Under this option there is expected to be an initial slight increase in specific cohort commencements (+3 per cent women, +5 per cent Indigenous Australians and +9 per cent youth) between 1 July 2022 and 30 June 2024



compared to pre-COVID-19 levels, before reducing to the level of Option 2. However, this assessment does not take into account the expected change in occupation preferences that the new incentives model is intended to encourage and as a result should be treated with caution.

The inclusion of major caring professional occupations on the new skills list and expansion of the TSL program is expected to primarily benefit women apprentices and trainees.

### **Regulatory impact**

The proposed option would not change the structure of the Australian Apprenticeship system. States and territories will continue to have a role in approving Training Contracts, and AASN providers would continue to be contracted by the Australian Government to deliver Apprenticeship Support services, such as providing advice to employers on eligibility for incentives and managing payment claims.

### **Regulatory costs**

Regulatory costs associated with Option 3 are provided in Table 7.1 and 7.2 and are based on the Regulatory Burden Measurement Framework, program data and expected changes in commencements and claim requirements. Regulatory costs are provided separately for the first phase (wage subsidy and non-priority support) and the second phase to demonstrate the changing regulatory costs.

The regulatory costs associated with Option 3 are administrative costs with claiming for incentives under the option and establishing an apprenticeship. The regulatory impact and cost of this option is due to the changed number of individuals and employers accessing the apprenticeship system, change in time and effort to claim, and a transitional cost for employers to familiarise themselves with the new system.

Employer time cost is assumed to be \$73.05 an hour, while an apprentice is assumed to be \$32.00 per hour.

### **Phase one**

It is expected that around 161,000 apprentices will attract an employer or apprentice incentive. Based on the average number of claims required it is expected it would take an additional 59 minutes on average over the life of the apprenticeship for an employer to claim incentives, and an additional 21 minutes on average per apprentice.

Based on program data it is expected that around 62,000 employers will need on average 60 minutes to familiarise themselves with the changed incentive system.

### **Phase two**

Assumptions for phase two are as per Option 2.



**Table 7.1: Regulatory costs of Option 3 (1 July 2022 - 30 June 2024)**

| Average annual regulatory costs (from business as usual) |          |                         |             |                       |
|--|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$ million)                             | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector   | 14.061   | N/A                     | 1.683       | 15.744                |

**Table 7.2: Regulatory costs of Option 3 (From 1 July 2024 onwards)**

| Average annual regulatory costs (from business as usual) |          |                         |             |                       |
|--|----------|-------------------------|-------------|-----------------------|
| Change in costs (\$ million)                             | Business | Community organisations | Individuals | Total change in costs |
| Total, by sector   | -5.215   | N/A                     | 1.573       | -3.642                |

## Chapter Six: Consultation

### 6.1 Australian apprenticeships incentives reform consultation

As described in Chapter One, prior to the COVID-19 pandemic, reforms sought to identify opportunities to reduce the complexity in the incentives system and address the decline in commencements and completions. This reform drew heavily on the Joyce Review (discussed below).

This led to the inception of the Incentives for Australian Apprenticeships (IAA) program which proposes modest changes to the current program that would achieve a simplified payment structure and reduce system complexity. However, the COVID-19 pandemic has created a different economic landscape and presented many opportunities to learn from, including market responsiveness to incentives such as the Boosting Apprenticeship Commencements (BAC) and Completing Apprenticeship Commencements (CAC) wage subsidies. The Productivity Commission's review of the National Agreement for Skills and Workforce Development (NASWD) has also exposed some of the current system's shortcomings.

The Government undertook several stakeholder engagement activities and research projects to assess if the IAA was still fit-for-purpose and to inform further reform. Feedback on challenges with current incentives and possible options for an improved system were sought from stakeholders, including employers, apprentices, peak bodies, training organisations and state and territory representatives.

Consultation determined the IAA is not equipped to operate in the current and emerging environment, without compromising commencements and completions. Instead, reforms should prioritise:

- Sustaining commencements, above pre-BAC levels;
- Targeting skill shortages to secure the future of the Australia's pipeline of skilled workers; and
- Providing more support to the apprentice, to improve completions.

**Table 8: Key views from the sector summary**

|             | <b>Issues of significance</b>  |
|-------------|--|
| Apprentices | <p><b>Productivity Commission:</b><br/>Factors that contribute to apprenticeship non-completion:</p> <ul style="list-style-type: none"> <li>• The immediate or prospective benefits may be too low;</li> <li>• The costs of undertaking an apprenticeship may be too high; and</li> <li>• There may be non-financial barriers, including lack of career information, and negative community or individual attitudes.</li> </ul> <p><b>Wallis Surveys:</b></p> <ul style="list-style-type: none"> <li>• Apprentices need and value non-financial support;</li> <li>• Barriers to entry, particularly sign-up; and</li> <li>• Apprentices highly value on-the-job training.</li> </ul>   |
| Employers   | <p><b>Joyce Review:</b><br/>Employers are concerned by skills shortages in occupations for which apprenticeships are the main pathway.</p> <p><b>Productivity Commission:</b><br/>Factors that prevent employers from taking on an apprentice:</p> <ul style="list-style-type: none"> <li>• The productive contribution of the apprentice may be too low;</li> <li>• The costs to employers may be too high;</li> <li>• The risk that their investment in an apprenticeship will not provide longer-term returns, (for instance non-completions).</li> </ul> <p><b>Wallis Surveys:</b></p> <ul style="list-style-type: none"> <li>• Challenges of hiring and sign-up; and</li> <li>• Employers support increased support for apprentices.</li> </ul> |
| AASNs       | <p><b>Productivity Commission:</b><br/>Joint contracting between Australian Apprenticeship Support Network (AASN) providers and Skill Training Authorities (STA) would improve the system.</p> <p><b>National Australian Apprenticeship Association – A blueprint for strengthening apprenticeships:</b><br/><i>Key issues for the apprenticeship system:</i></p> <ul style="list-style-type: none"> <li>• How to maintain an optimal level of commencements and improve completions;</li> <li>• Improve the user experience;</li> <li>• Support businesses with new and higher-level skill needs; and</li> <li>• Align Vocational Education and Training (VET) reform agenda to meet needs of employers, apprentices and trainees.</li> </ul>       |

## **Primary research**

### [National Centre for Vocational Education research](#)

National Centre for Vocational Education Research (NCVER) is the national professional body responsible for collecting, managing, analysing and communicating research and statistics on the Australian VET sector, including apprenticeships.

NCVER publishes a number of research findings on VET and apprenticeships, including a quarterly data infographic and research into specific apprenticeship issues aimed at helping inform policy. The direction and priorities for NCVER research is determined primarily through the Skills Senior Officials Network (SSON).

Some recent examples of their research include:

- Issues in apprenticeships and traineeships – a research synthesis (2021)
  - Incentives play an important role in encouraging and supporting apprenticeships and traineeships but need to be carefully calibrated.
  - The relevance of the historical apprenticeship model to changing industry, economic and social conditions has been challenged and there is support for alternative models of delivery.
- Apprentices and trainees 2020: impact of COVID-19 on training activity (2020)
  - Compared with the same period in 2019, the number of contract commencements showed marked declines in April and May 2020.
  - Impacts to commencements and suspensions were more pronounced for females than for males; and for contracts in non-trade rather than trade.
- Traditional trade apprenticeships: learnings from the field (2020)
  - There was strong support among the sector, including employers and apprentices, for maintaining the current element of apprenticeship training, such as on and off the job training.
  - Apprentices could feel challenged by the expectations of the workplace, understanding components of their courses and sustaining inter-personal interactions with their colleagues.

### [Strengthening Skills: Expert Review of Australia's Vocational Education and Training System: Joyce Review](#)

On 28 November 2018, the Honourable Steven Joyce, former New Zealand Minister for Tertiary Education, Skills and Employment led an independent review of Australia's VET sector on behalf of the Australian Government.

The primary recommendation for the Australian Apprenticeship incentives system was that the Australian Government revamp and simplify its apprenticeships incentives program to make it more attractive to and more easily understood by apprentices and trainees and their employers.

## Productivity Commission – National Agreement for Skills and Workforce Development Review

In the foreword of the review, the objective of NASWD is stated as:

*The NASWD’s objectives are to ensure the VET system delivers a productive and highly skilled workforce; enables all working age Australians to develop the skills and qualifications needed to participate effectively in the labour market and contribute to Australia’s economic future; and supports increased rates of workforce participation.*

This review included reviewing current funding arrangements for the VET sector, including the Australian Apprenticeship Incentives Program (AAIP). The review found overall the three biggest priorities for the Australian Apprenticeships was to:

- Prepare and support apprentices;
- Reduce barriers to apprenticeship and non-apprenticeship pathways; and
- Reorient employer incentives – Employer incentives are more effective when they are front loaded.

### Workshops with key stakeholders

The Department consulted with stakeholders on strengths and weaknesses of the existing Australian Apprenticeship System and design principles for future reform. Stakeholders were also asked to consider and identify practical implementation issues and possible solutions.

This involved:

- A workshop with state and territory officials to contribute ideas and practical solutions to inform an effective reformed incentives framework;
- Discussions with individual states and territories to further explore issues and possible solutions at the state level; and
- Workshops with the Skills Expert Panel and the VET Stakeholder Committee.

### Wallis – Apprentice and Employer Surveys

The Department commissioned Wallis in late 2021 to explore what supports apprentices and employers needed to help them succeed in the Australian Apprenticeship ecosystem.

The surveys primarily focussed on the non-financial support currently available and sought input on the type of support needed to improve apprenticeship commencements and completion rates. Focus groups with a very limited number of apprentices and employers, identified the following topics for exploration:

- Perceptions of the employing process and becoming an apprentice/trainee;
- Support of apprentices/trainees (early on and current);
- Support for managing apprentices/trainees;
- AASN providers;
- Attrition/termination; and

- Overall views and perceptions of apprenticeships/traineeships.

Wallis received completed surveys from 500 current apprentices as well as 500 employers of apprentices. Key smaller populations such as Indigenous Australian Apprentices were over-sampled to ensure responses from these populations were obtained. The key findings are below:

### **Challenges of hiring and sign-up**

- Both employers (28 per cent) and apprentices (17 per cent) consider fitting in with workplace and low wages are key challenges when starting apprenticeships; and
- However, 37 per cent of employers believe the apprentice work ethic or job readiness is more challenging.

### **Support for employers and apprentices**


- The main sources of support differ between apprentices and their employers:
  - More than half employers reported getting support from AASNs and training providers.
  - Whereas apprentices are predominantly getting support from their families and their employers.

### **Apprentice**

Apprentices identified the need for more support to help navigate workplace relations.

- Apprentices identified they need extra help to help them understand their rights and obligations. Apprentices reported issues such as signing up with blank contracts, being underpaid and working on site on the days they are supposed to be at training;
- Over a fifth of apprentices identified better training/support from training providers as being critical non-financial support;
- Nearly half (46 per cent) of apprentices consider AASN providers fully or mostly meet their expectations; and
  - Qualitative research suggests that where apprentices have had a limited interaction with the AASN their understanding of the role/support they could get from their AASN providers can be unclear and is also limited. AASN providers have not been reachable at times when the apprentice needs help.
- Apprentices indicate the lack of consistent name or brand of AASN could be contributing to the confusion about what AASNs can do and what apprentices can expect from them.

### **Employer**



Employers note they need support with improved training/trainers, and financial support.

- Qualitative data found some employers and individuals expressed frustration at the perceived quality of some Registered Training Organisations (RTOs) and the need to change RTOs if the RTO failed to retain their accreditation;
- In addition to training quality issues, they noted that RTOs are perceived as generally not flexible enough for apprentices; and
- The majority of employers (60 per cent) believe the support they received from AASN providers fully or mostly meet their expectations.

### Deloitte

The Department of Education, Employment and Workplace Relations commissioned Deloitte Access Economics to conduct an econometric analysis of the AAIP, which was completed on 5 March 2012.

Their analysis drew two high level conclusions:

- Financial incentives have a positive effect on commencements, with payments made of over \$1,000 having a significantly positive effect; and
- The timing of when incentives are paid is very important.

Importantly, their analysis found that incentivising individual apprentices to improve completions is more effective than incentivising employers.<sup>61</sup>

### **How did we incorporate feedback into policy? What other consultation will occur?**

#### *What is the feedback telling us?*

Overall, feedback across the sector has been fairly consistent, from Australian Government and State Government, employers, apprentices, AASNs and research, and includes:

- Apprentices need more support, both financially and non-financially;
- There are barriers to sign-up;
- Apprenticeships can play a key role in targeting priority skills;
- Policy needs to target apprenticeships to build on the gains from the BAC and continue to encourage increased commencements; and
- Completions are an important part of the equation.

These views and concerns have been used to shape Option 2 and Option 3. In particular, Option 3 enables a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment once post-pandemic economic conditions stabilise.

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<sup>61</sup> Deloitte Access Economics (2012) *Econometric Analysis of the Australian Apprenticeships Incentives Program* (accessed 16 March 2022)



## Chapter Seven: Recommended Option

The Australian Government is committed to a skills-led recovery from the COVID-19 pandemic and Australian Apprenticeships are a key part of this plan. Reforms that redirect incentives to both apprentices and employers, align the value of support commensurate to the costs involved, and balance the Australian Government's investment towards areas of need will have the greatest success in reducing barriers to Australian Apprenticeships.

Targeting priority skills areas, and key industries reduces expenditure across the system and focuses on qualifications where there is the greatest need to ensure an appropriate level of investment is made into our future skilled workforce. This approach is expected to lead to an increase in commencements and completions in priority occupations. It is also expected to lead to an increase in the supply of apprenticeship opportunities in key industries.


Without action, Option 1, the Incentives for Australian Apprenticeships (IAA) program will be introduced on 1 July 2022. While this would simplify incentives, it would do little to address barriers to commencing and completing an apprenticeship and in turn fail to effectively address the skill shortages. The IAA was developed in the pre-COVID-19 economy and is no longer fit for purpose. If Option 1 is implemented, Australian Government expenditure on the Australian Apprenticeships system would be reduced substantially, however an opportunity would be missed to address declining commencement numbers (pre-Boosting Apprenticeship Commencements (BAC) figures) and historically low retention and completion rates that COVID-19 economic response measures have effectively reversed.

Option 2 responds to emerging skills needs and clearly targets government funding to priority areas of future growth and development, including anticipated areas of skills needs and employment opportunities. This option sends a clear message to prospective apprentices to take up an apprenticeship in an in-demand trade and care occupation. However, this option will have a sudden and negative impact on non-priority occupations, with no support available for employers or apprentices in non-priority occupations from 1 July 2022. This will result in a decrease in commencements in non-priority occupations. This outcome will be particularly pronounced for women, Indigenous Australian and rural and regional apprentices for whom it is expected to have the greatest impact.

Option 3 is the preferred option as it best addresses the feedback raised during consultation while meeting current and emerging economic conditions. This option is the only option to address each of the policy issues identified:

- Incentives were not targeted to meet skill shortages;
- Costs remain high and are increasing for both the employer and the apprentice;
- Incentives do not focus on the decision maker;
- Incentives are difficult to navigate and understand; and
- Non-financial support is needed for apprentices.





This approach would re-direct Australian Government investment from non-priority occupations (for example office managers, general clerks and sales assistants) to priority occupations (for example carpenters, electricians and childcare workers) in phases. It would also enable a higher level of investment in the apprenticeship incentives system during the economic recovery, before reducing to pre-COVID-19 investment once post-pandemic economic conditions stabilise.

## Chapter Eight: Implementation and Review

### 8.1 Implementation

#### **Legislation**

New primary legislation is recommended for any new incentives system to improve and simplify administration of the program and protect apprentices through strengthened accountability. Additionally, changes to the Trade Support Loans (TSL) will need to be reflected in the TSL Act and Rules.

New legislation will not be in place until after 1 July 2022. In the interim, legislative authority and operation of the new program (excluding TSL) will rest on items in the Financial Framework (Supplementary Powers) Schedule 1AB (FFSP) and robust Program Guidelines, similar to the operation of the current program.

Changes to the TSL will be implemented once proposed changes to the enabling legislation are made. The TSL is governed by the Trade Support Loans Act 2014 and two legislative instruments: the Trade Support Loans Rules 2014 and Trade Support Loans Priority List 2014.

It is anticipated that legislation will be introduced in the Spring 2022 sittings.

#### **Program guidelines**

The implementation of the Australian Apprenticeships Incentive System (AAIS) would be supported by new Program Guidelines, published on the Department's website and GrantConnect. The Program Guidelines would provide details on incentives including eligibility requirements and how to apply.


All existing employers and apprentices on the current program that commenced prior to 1 July 2022 would be grandfathered under existing arrangements.

#### **AASN provider contracts**

Implementing the new incentives model would require a variation to the Australian Apprenticeship Support Network (AASN) provider contract which commenced on 1 February 2020. The current AASN contract contains provision for delivery of a new incentives model, so the variation simply needs to insert the AAIS name into the contracts.

Strong and effective communication between the Department, AASN providers and employers/ apprentices will be required to ensure program participants are well informed regarding their potential eligibility for various payments. This is consistent with the current role of the AASN and a continuation of their current work, and a change such as this is easily accommodated by a contract variation.

In addition to delivering the new model, AASN providers would also continue to deliver the current program, as employers claiming incentives for an Australian Apprentice prior to 1



July 2022 would continue to receive payments under the old payment structure for that apprentice.

### **Grandfathering arrangements**

To maintain simplicity and reduce overall costs, existing employers and Australian Apprentices that commenced prior to 1 July 2022 will be grandfathered under their existing arrangements. This will ensure that employers and apprentices continue to receive the support they anticipated when initiating the apprentice-employer relationship.

### **Stakeholder engagement**

As part of implementation, consultation with key stakeholders (including the AASN) would be undertaken to manage the change process for the new incentives model. This will include consideration of IT capabilities as a result of Apprenticeships Data Management System (ADMS). Additionally, the Priority List will be carefully communicated to ensure stakeholders understand how the Priority List is updated and where to find current information.

AASN providers will continue to provide wrap-around services, helping to ensure that employers and apprentices understand what incentives they are eligible for under the new system, and have access to non-financial supports to effectively engage with the apprenticeships system.

### **Information technology**

The new incentives framework will be delivered through the new ADMS, however the Training and Youth Internet Management System will continue to support existing incentives until the new system is fully operational. ADMS will provide a better user experience, with a strong self-service component for apprentices and employers when lodging claims.



## 8.2 Evaluation

The Department will evaluate the new incentives system through a combination of ongoing consultation with stakeholders through existing governance groups and surveys, qualitative research into the impact of the new model on stakeholders and quantitative analysis of administrative and longitudinal data to assess the appropriateness, effectiveness and efficiency of the new model. The evaluation will consider the new incentives against the key policy issues outlined in Chapter Two.

The new ADMS will provide more timely program data which will enable the Department to better monitor the new AAIS. The Department worked closely with a broad range of stakeholders to develop the ADMS and will continue to work with these stakeholders during the implementation of the project. The incremental approach to development provides the opportunity for the Department to regularly assess, evaluate and test the components of the new system to ensure it meets users' needs. This approach allows for early identification and mitigation of issues as they arise.

The recommended policy option is targeted towards occupations on the Australian Apprenticeships Priority List (Priority List), which has been developed to better capture skill shortages in the apprenticeship space and emerging skill shortages in health care due to COVID-19. The Priority List will be updated and evaluated annually to maintain relevance to the needs of employers. Regular updates to the Priority List will ensure that the program targets those in areas of skills need and adapts to changing market requirements.

The impact of the proposal will be reviewed at key intervals. The first checkpoint review will take place in 2023–2024 (two years after commencement), before phase two commences. As part of this review the Department will consult industry, the Vocational Education and Training sector and the National Skills Commission. This review will analyse the effect of phase one to determine whether it has led to an increase in commencements and inform next steps.

The implementation of ADMS, annual updates to the Priority List and reviews of the new AAIS will give Australian employers and apprentices access to high quality and relevant training to meet the needs of a changing economy. Reforming the Australian apprenticeships incentives system will better target government investment to support employers and apprentices meet the skills gap in Australia.

## Chapter Nine: Reference List

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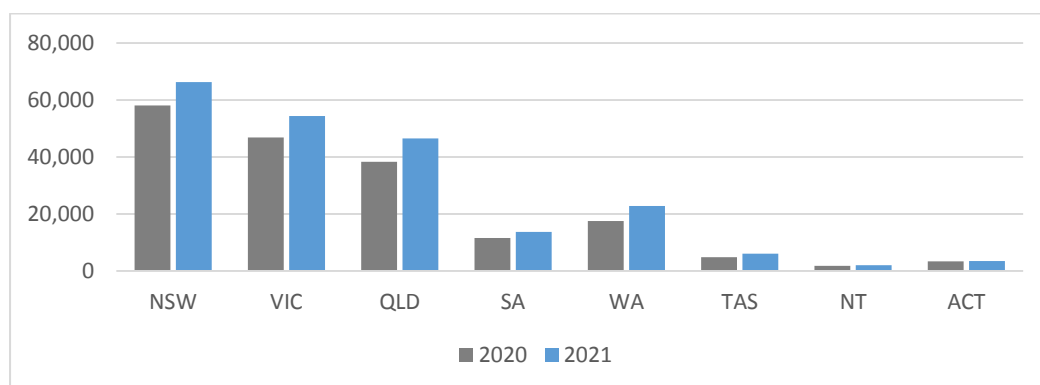
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## Chapter Ten: Attachments

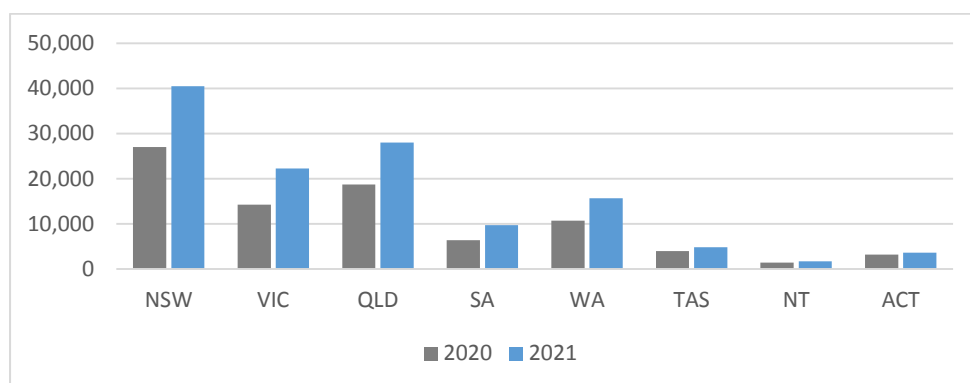
### Attachment A: Background on Australian Apprentices

Figure 4 and Figure 5 show the number of trade and non-trade apprentices across each state and territory, comparing 2020 and 2021 data. The distribution of apprentice numbers across each jurisdiction are comparable to population data – the states with the largest populations also have the largest number of apprentices in-training. Most trade apprenticeship workplaces in Australia are located in major cities (62 per cent), with 34 per cent located in regional areas, and four per cent in remote areas.<sup>62</sup>

**Figure 4:** Trade apprentices and trainees in-training by state/territory, as of 30 June 2020 and 2021.<sup>63</sup>



**Figure 5:** Non-trade apprentices and trainees in-training by state/territory, as of 30 June 2020 and 2021.<sup>64</sup>



<sup>62</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022).

<sup>63</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022).

<sup>64</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022).

**Table 9: Trade and non-trade proportions by state<sup>65</sup>**

|                                     | Trade          |              | Non-trade      |              | Total          |
|-------------------------------------|----------------|--------------|----------------|--------------|----------------|
|                                     | #              | %            | #              | %            | #              |
| <b>New South Wales</b>              | 66,225         | 62.0%        | 40,515         | 38.0%        | 106,740        |
| <b>Victoria</b>                     | 54,325         | 70.9%        | 22,295         | 29.1%        | 76,620         |
| <b>Queensland</b>                   | 46,490         | 62.4%        | 27,980         | 37.6%        | 74,465         |
| <b>South Australia</b>              | 13,695         | 58.5%        | 9,715          | 41.5%        | 23,410         |
| <b>Western Australia</b>            | 22,745         | 59.2%        | 15,655         | 40.8%        | 38,400         |
| <b>Tasmania</b>                     | 6,000          | 55.3%        | 4,850          | 44.7%        | 10,845         |
| <b>Northern Territory</b>           | 2,005          | 53.4%        | 1,750          | 46.6%        | 3,750          |
| <b>Australian Capital Territory</b> | 3,485          | 48.8%        | 3,655          | 51.1%        | 7,145          |
| <b>Australia</b>                    | <b>214,970</b> | <b>63.0%</b> | <b>126,410</b> | <b>37.0%</b> | <b>341,385</b> |

The split between trade and non-trade apprentices for each jurisdiction largely mirrors the national split of around 64 per cent to 36 per cent, however there are a few exceptions that could be attributed to the dominant industries and employment opportunities present in those areas. For example, both the Northern Territory (NT) and the Australian Capital Territory (ACT) have a more even split between trade and non-trade apprentices. The ACT and NT's higher non-trade Australian Apprentice count can be in large part attributed to the larger proportion of service-based industries (such as Public Administration and Safety, and Health Care and Social Assistance) in these territories.

**Table 10: Number of apprentices and trainees in-training as at 30 June 2021 by occupation and state/territory.<sup>66</sup>**

| Occupation (ANZSCO) group                                  | NSW    | VIC    | QLD    | SA     | WA     | TAS   | NT    | ACT   | AUST    |
|--|--------|--------|--------|--------|--------|-------|-------|-------|---------|
| Managers and Professionals                                 | 1,980  | 1,680  | 1,240  | 770    | 575    | 335   | 110   | 840   | 7,535   |
| Technicians and Trades Workers                             | 66,225 | 54,325 | 46,490 | 13,695 | 22,745 | 6,000 | 2,005 | 3,485 | 214,970 |
| 31 Engineering, ICT and Science Technicians                | 1,445  | 1,310  | 1,585  | 445    | 865    | 205   | 55    | 150   | 6,060   |
| 32 Automotive and Engineering Trades Workers               | 15,730 | 9,100  | 13,995 | 3,555  | 9,610  | 1,285 | 615   | 465   | 54,360  |
| 33 Construction Trades Workers                             | 21,575 | 21,710 | 12,000 | 3,540  | 3,710  | 2,315 | 435   | 1,185 | 66,465  |
| 34 Electrotechnology and Telecommunications Trades Workers | 15,475 | 10,765 | 9,770  | 3,090  | 4,845  | 780   | 595   | 985   | 46,305  |
| 35 Food Trades Workers                                     | 3,510  | 3,615  | 2,800  | 1,060  | 1,240  | 560   | 85    | 205   | 13,065  |
| 36 Skilled Animal and Horticultural Workers                | 3,180  | 3,150  | 1,655  | 680    | 480    | 210   | 50    | 185   | 9,595   |
| 39 Other Technicians and Trades Workers                    | 5,310  | 4,680  | 4,680  | 1,325  | 1,995  | 640   | 170   | 315   | 19,120  |
| Community and Personal Service Workers                     | 13,595 | 8,180  | 8,100  | 1,960  | 4,705  | 1,390 | 780   | 1,355 | 40,060  |
| Clerical and Administrative Workers                        | 9,895  | 4,725  | 7,960  | 2,440  | 3,540  | 1,405 | 265   | 785   | 31,010  |
| Sales Workers  | 7,535  | 2,960  | 3,300  | 2,195  | 1,725  | 680   | 230   | 265   | 18,890  |
| Machinery Operators and Drivers                            | 3,795  | 1,705  | 4,790  | 875    | 3,185  | 475   | 155   | 220   | 15,195  |

<sup>66</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 25 January 2022).



| Occupation (ANZSCO) group | NSW    | VIC   | QLD   | SA    | WA    | TAS   | NT   | ACT  | AUST   |
|---------------------------|--------|-------|-------|-------|-------|-------|------|------|--------|
| Labourers                 | 3,710  | 3,050 | 2,595 | 1,475 | 1,925 | 565   | 210  | 185  | 13,715 |
| Total                     | 106,74 | 76,62 | 74,46 | 23,41 | 38,40 | 10,84 | 3,75 | 7,14 | 341,38 |
|                           | 0      | 0     | 5     | 0     | 0     | 5     | 0    | 5    | 5      |

In 2021, 27.4 per cent of employers had apprentices or trainees<sup>67</sup>. The majority of Australian Apprenticeships are offered by small to medium sized businesses who employed around 71 per cent of apprentices as at 30 June 2021.<sup>68</sup>

Australian Apprenticeships range from Certificate II up to Advanced Diploma level in more than 500 occupations across Australia. Positions are available in traditional trades, as well as a diverse range of emerging careers. An Australian Apprenticeship can take between one and four years to complete, depending on the type of program and qualification. Tables 11 and 12 show the top five increasing trade and non-trade occupations for apprenticeship commencements in 2020-2021.

**Table 11: Top five increasing trade occupations for Australian Apprentices (June 2020 - June 2021)**

| ANZSCO minor occupation                     | 2020   | 2021   | Increase | Per cent |
|---|--------|--------|----------|----------|
| 331 Bricklayers, and Carpenters and Joiners | 30,360 | 36,100 | 5,745    | 18.9%    |
| 341 Electricians                            | 32,300 | 36,220 | 3,920    | 12.1%    |
| 321 Automotive Electricians and Mechanics   | 24,545 | 28,190 | 3,645    | 14.8%    |
| 334 Plumbers                                | 18,565 | 20,975 | 2,405    | 13.0%    |
| 351 Food Trades Workers                     | 10,955 | 13,065 | 2,110    | 19.3%    |

**Table 12: Top five increasing non-trade occupations for Australian Apprentices (June 2020 – June 2021)**

| ANZSCO minor occupation               | 2020   | 2021   | Increase | Per cent |
|---------------------------------------|--------|--------|----------|----------|
| 512 Office and Practice Managers      | 2,895  | 8,395  | 5,500    | 189.9%   |
| 531 General Clerks                    | 6,960  | 12,380 | 5,420    | 77.9%    |
| 431 Hospitality Workers               | 7,690  | 12,005 | 4,320    | 56.2%    |
| 621 Sales Assistants and Salespersons | 10,525 | 14,350 | 3,830    | 36.4%    |
| 421 Child Carers                      | 10,880 | 14,540 | 3,660    | 33.7%    |

<sup>67</sup> NCVER (2021) *Employers' use and views of the VET system 2021*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 27 January 2022)

<sup>68</sup> NCVER (January 2022) *Apprentices and trainees 2021 – June quarter*, [www.ncver.edu.au](http://www.ncver.edu.au) (accessed 19 January 2022).

## Attachment B: Current Payments Under the AAIP

### **Support available to employers**

#### *Standard and targeted incentives*

The Australian Government provides financial incentives to employers at the time of commencement, during and at completion of eligible Australian Apprenticeships. Standard incentives are up to \$4,000 (\$1,500 on commencement and \$2,500 on completion) for eligible apprenticeships and are often complemented by a range of state and territory payments (which vary by jurisdiction). In addition, the Australian Government provides targeted employer incentives for:

- Apprentices with a disability;
- Australian School-based Apprentices;
- Mature-aged workers;
- Rural and regional skills shortage; and
- Adult apprentices.

A full list of payments available under the AAIP is available at the table below.

#### *Additional Identified Skills Shortage incentive*

In the 2019-20 Budget, the Australian Government committed \$156.3 million to establish an AISS incentive payment to boost the supply of skilled workers in ten occupations identified as experiencing national skills shortages (AISS occupations).


Eligible employers receive \$2,000 at the 12-month point of the apprenticeship and an additional \$2,000 at completion of the apprenticeship. To be eligible for this payment employers must be able to demonstrate that the Australian Apprentice is in addition to their usual apprentice intake. Apprentices that attract an AISS payment for their employer must also be new to the business (not already having worked for their employer for more than three months full-time equivalent) and undertaking a qualification leading to one of the ten AISS occupations.

AISS incentive also provides payments for apprentices – see below under *Support available for Australian Apprentices*.

AISS incentive payments are additional to any payments the apprentice or employer may be eligible for under Australian Government programs.

#### *Australian Apprenticeships Wage Subsidy trial*

The Australian Apprenticeships Wage Subsidy (AAWS) trial which commenced in 2019, was capped at 3,260 new Australian Apprentices employed in rural and regional areas and was limited to occupations on the NSNL. With two phases in the trial, to be eligible employers needed to have signed-up and commenced their Australian Apprentices from 1 January 2019 (Phase 1) or from 1 July 2019 (Phase 2). Take up of places on the trial was rapid, and the trial is fully subscribed.



AAWS wage subsidy is based on minimum award wages under which an apprentice is employed for the first three years as follows:

- 75 per cent for the first year;
- 50 per cent for the second year; and
- 25 per cent in the third year of the apprenticeship.

#### *Disabled Australian Apprentice Wage Support Program*

Under DAAWS, employers receive a \$104.30 wage subsidy per week per full-time apprentice or trainee with a disability (pro-rata for part-time apprentices). Assistance is also provided to RTOs at a rate of \$38.50 per hour (up to \$5,500 per eligible apprentice or trainee per annum) for tutorial, mentoring and interpreter services for apprentices experiencing difficulties with the off-the-job component of their training.

#### *COVID-19 economic response measures*

The SAT and BAC wage subsidies were introduced in 2020 as short-term measures to support and protect apprenticeships during the COVID-19 pandemic. These wage subsidies provide support for 50 per cent of apprentice or trainee wages (up to \$7,000 per quarter), paid to employers quarterly in arrears. These interventions recognised that apprentices and trainees are often the first to lose their job during times of economic downturn and that many businesses are reluctant to take on new and/or inexperienced workers during uncertain economic situations.


Introduced in March 2020, the SAT is a retention measure designed to shield apprentices and trainees from the economic fallout of the COVID-19 pandemic. The estimated \$1.4 billion expended on SAT contributed to retaining around 134,500 apprentices since its introduction. Early program data shows apprentices whose employers attracted the SAT wage subsidy were around 65 per cent more likely to complete and were twice as likely to resume their apprenticeship or traineeship from suspension than those eligible for SAT but who did not claim it.<sup>69</sup> The SAT ceased on 31 March 2021.

Announced in October 2020, the BAC wage subsidy is targeted at encouraging apprenticeship commencements during the COVID-19 economic recovery period and seeks to create apprenticeship pathways and new opportunities for school leavers, job seekers and those looking to change careers. The BAC is a broad-based wage subsidy available to apprentices and trainees undertaking Certificate II or higher qualifications in both trade and non-trade areas and can be accessed by employers taking on new workers or seeking to reskill and upskill their existing workforce.

Since the introduction of the BAC in October 2020, the number of Australian Apprenticeship commencements has increased significantly - in the first 3 months of the BAC, commencements more than doubled (71,335 commencements compared to 28,705

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<sup>69</sup> Internal Department data, unpublished



October to December 2019)<sup>70</sup>. In 2021 the program continued to support an increase in commencements. The most recent NCVER report on Australian Apprentices and Trainees shows a 59.5 per cent increase in commencements for the 12-month period ending 30 June 2021 when compared to the previous year.<sup>71</sup> The BAC will close to new commencements on 31 March 2022.

### *Completing Apprenticeship Commencements*

In October 2021, the Australian Government announced the CAC wage subsidy to ease the transition for all BAC eligible employers by providing transitional support for the second and third year of an Australian Apprenticeship.

Under this measure, eligible employers will receive a wage subsidy of 10 per cent of wages paid to an eligible apprentice or trainee in the second year of their apprenticeship, to a maximum of \$1,500 per quarter, per apprentice. In the third year, eligible employers will also receive a wage subsidy of five per cent of wages paid to an eligible apprentice or trainee to a maximum of \$750 per quarter, per apprentice.

### **Support available for apprentices and trainees**

#### *Living Away From Home Allowance*

LAFHA is a tax exempt, weekly allowance payable to Australian Apprentices who must move away from their parents' or legal guardians' home for the first time, or travel significant distances to take up or retain an Australian Apprenticeship. Currently, eligible recipients can claim payments ranging from \$77.17 per week in their first year, to \$25 per week in the third year. LAFHA is also available to Australian Apprentices who are homeless.

#### *Additional Identified Skills Shortage Payment for Apprentices*

All Australian Apprentices, commencing in a qualification leading to an AISS occupation, with an AISS eligible employer, are able to receive \$1,000 at the 12-month point, and \$1,000 at the successful completion of their apprenticeship, regardless of whether they are additional to the employer's usual hiring practice, as long as they are new to the business and not an existing worker.

AISS payments are additional to any payments the apprentice or employer may be eligible for under Australian Government programs.

#### *Trade Support Loans*

TSL was introduced in July 2014 to replace the Tools For Your Trade program. It is administered through the *Trade Support Loans Act 2014* (rather than the AAIP) to encourage more young people to take up and complete a trade qualification. TSL supports apprentices to meet everyday costs while undertaking their training and provides up to \$21,542 (2020-21 lifetime limit) in income contingent loans. Loans are repaid through the Australian Taxation Office (ATO) once an apprentice earns above a minimum repayment

threshold (\$46,620 for the 2020-21 income year). Apprentices who successfully complete their apprenticeship receive a 20 per cent discount on their loan amount.

**Table 13: Employer incentives available under the AAIP**

| Employer Incentives                |         |   |
|------------------------------------|---------|---|
| Payments available at Commencement |         |   |
| Commencement Incentive             | \$1,250 | Available where an employer commences a new worker Australian Apprentice deemed to be part of a nominated equity group at the Certificate II level qualification.   |
|                                    | \$1,500 | Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-Based Apprenticeships).   |
|                                    | \$1,500 | Available where an employer commences a new worker Australian Apprentice at a: <ul style="list-style-type: none"> <li>• Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships).</li> <li>• Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships).</li> <li>• Certificate III or IV level qualification in a non-priority occupation (including Australian School-based</li> </ul> |

|   |         |  |
|---|---------|--|
|   |         | Apprenticeships).  |
| Rural and Regional Skills Shortage Incentive                  | \$1,000 | Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate III or IV qualification that leads to an occupation on the NSNL in a rural or regional workplace.   |
| Declared Drought Area Commencement Incentive                  | \$1,500 | Available where an employer who holds a current Exceptional Circumstances Drought Area certificate and commences a new worker or existing worker Australian Apprentice deemed to be part of a nominated equity group, in an eligible Certificate II level qualification.           |
| Mature Aged Workers Commencement Incentive                    | \$750   | Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or higher level qualification who is a disadvantaged person aged 45 years or more.   |
| Australian School-based Apprenticeship Commencement Incentive | \$750   | Available where an employer commences a new worker or existing worker Australian Apprentice in a Certificate II or higher level qualification in an endorsed Australian School-based Apprenticeship.   |
| Payments available for Retention                              |         |  |
| Australian School-based Apprenticeship Retention Incentive    | \$750   | Available where an employer continues to employ a Certificate II or higher level Australian School-based Apprentice for at least 12 weeks after the student has completed secondary school.  |
| Payments available at Recommencement                          |         |  |
| Recommencement Incentive                                      | \$750   | Available where an employer recommences a new worker or existing worker Australian Apprentice in a Certificate III or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-based Apprenticeships). |
|   | \$750   | Available where an employer recommences a new worker Australian Apprentice at a: <ul style="list-style-type: none"> <li>• Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based</li> </ul>                              |

|   |         |   |
|---|---------|---|
|   |         | <p>Apprenticeships).</p> <ul style="list-style-type: none"> <li>• Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships).</li> <li>• Certificate III or IV level qualification in a non-priority occupation (including Australian School-based Apprenticeships).</li> </ul> |
| <b>Payments available at Completion</b> |         |   |
| Completion Incentive                    | \$1,500 | Available for employers of a new worker or existing worker part-time Australian Apprentice who successfully completes a Certificate III or IV level qualification that leads to a Priority Occupation.  |
|   | \$1,500 | Available for employers or new worker Australian Apprentices who successfully complete a part-time Australian Apprenticeship.   |
|   | \$2,500 | Available for employers of new worker or existing worker Australian Apprentices who successfully complete a Certificate III or IV level qualification that leads to an occupation on the NSNL (including part-time Australian Apprenticeships and Australian School-based Apprenticeships).   |
|   | \$2,500 | Available for employers of a new worker Australian Apprentice who successfully completes a: <ul style="list-style-type: none"> <li>• Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships).</li> <li>• Diploma or Advanced Diploma level qualification that leads to a Priority</li> </ul>                                |

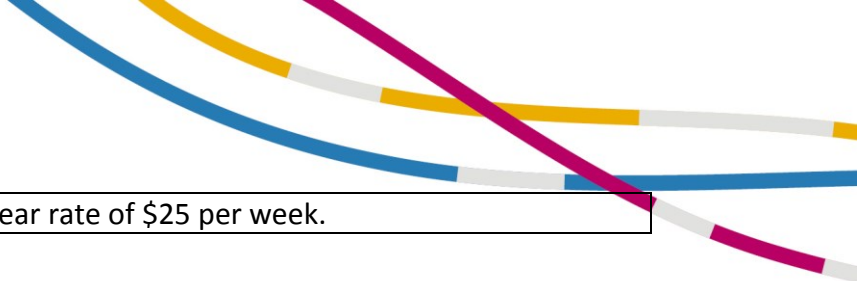


|  |         |  |
|--|---------|--|
|  |         | <p>Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships).</p> <ul style="list-style-type: none"> <li>• Certificate III or IV level qualification in a non-priority occupation (including Australian School-based Apprenticeships).</li> </ul>  |
|  | \$3,000 | <p>Available for employers of an existing worker Australian Apprentice who successfully completes a:</p> <ul style="list-style-type: none"> <li>• Certificate III or IV level qualification that leads to a Priority Occupation (Including Australian School-based Apprenticeships).</li> <li>• Diploma or Advanced Diploma level qualification that leads to a Priority Occupation (including part-time Australian Apprenticeships and Australian School Based Apprenticeships).</li> </ul> |
| Group Training Organisations Certificate II Completion Incentive | \$1,000 | Available for Group Training Organisations that support Australian Apprentices deemed to be part of a nominated equity group, to successfully complete a Certificate II level Australian Apprenticeship.   |
| Declared Drought Area Completion Incentive                       | \$1,500 | Available for employers of Australian Apprentices deemed to be part of a nominated equity group, who successfully complete an eligible Certificate II qualification and who attracted a Declared Drought Area Commencement Incentive.  |
| Mature Aged Worker Completion Incentive                          | \$750   | Available for employers of an Australian Apprentice who successfully completes a Certificate II or higher level qualification  |



|   |   |   |
|---|---|---|
|   |   | and who attracted a Mature Aged Worker Commencement Incentive.  |
| <b>Adult Australian Apprentices</b>             |   |   |
| Support for Adult Australian Apprentices        | \$4,000   | <p>Available to employers of adult workers to upgrade their skills through an Australian Apprenticeship at the Certificate III or IV level in an occupation on the NSNL</p> <ul style="list-style-type: none"> <li>An adult apprentice is defined as being aged 21 years or over if they commenced their apprenticeship on or after 1 July 2019, or 25 years or over if they commenced prior to 1 July 2019.</li> <li>Employers may be eligible for Support for Adult Australian Apprentices where the actual wage paid to the Australian Apprentice is equal to or greater than the National Minimum Wage.</li> <li>Employers may be eligible once the Australian Apprentice has successfully completed 12 months of their Australian apprenticeship.</li> </ul> |
| <b>Australian Apprentice Wage Subsidy trial</b> |   |   |
| Australian Apprentice Wage Subsidy              | <p>Available to employers who employ a new worker Australian Apprentice undertaking a full-time Certificate III or IV qualification that leads to an occupation listed on the NSNL in a rural or regional workplace.</p> <p>Based on the award wage rate (modern award) under which an Australian Apprentice is employed and provides support in the first three years of an Australian Apprenticeship as follows: 75 per cent of the first year wage; 50 per cent of the second year wage; and 25 per cent of the third year wage.</p> <p>There are two phases of the Australian Apprentice Wage Subsidy Trial:</p> <ol style="list-style-type: none"> <li>Phase 1 – available to employers who sign-up and</li> </ol> |   |

|  |  |
|--|--|
|  | <p>commence an Australian Apprentice from 1 January 2019 and until 1,630 sign-ups have occurred.</p> <p>2. Phase 2 – available to employers who sign-up and commence an Australian Apprentice from 1 July 2019 and until 1,630 sign-ups have occurred.</p>   |
| <b>Additional Identified Skills Shortage Payment</b>           |  |
| <b>Employer Payment</b>  | <p>Available to employers of Australian Apprentices new to the employer, commencing a Certificate III or IV level qualification leading to an occupation on the AISS list. Employers will only be eligible to claim the Additional Identified Skills Shortage payment for apprentices that qualify as being additional, that is over and above the employer's usual apprentice intake.</p> <p>Eligible employers will receive \$2,000 at the 12 month point from commencement of the apprenticeship and an additional \$2,000 at the completion of the apprenticeship.</p> |
| <b>Apprentice Payment</b>                                      | <p>Available to apprentices new to the employer commencing a Certificate III or IV level qualification leading to an occupation on the AISS list.</p> <p>Eligible apprentices will receive \$1,000 at the 12 month point from commencement of the apprenticeship and an additional \$1,000 at the completion of the apprenticeship.</p>  |
| <b>Assistance for Australian Apprentices with Disability</b>   |  |
| <b>DAAWS</b>   | <p>Provides additional assistance to employers who employ an Australian Apprentice with disability in a Certificate II or higher level qualification.</p> <p>Paid at a rate of \$104.30 per week for a full-time Australian Apprentice, and on a pro-rata scale according to the hours worked for a part-time Australian Apprentice.</p>   |
| <b>Off-the-job Tutorial, Mentor and Interpreter Assistance</b> | <p>Assistance for Tutorial, Mentor and Interpreter Services is available to Registered Training Organisations to support Australian Apprentices with disability who are experiencing difficulty with the off-the-job component of their Australian Apprenticeship because of their disability.</p>   |
| <b>Payments to Australian Apprentices</b>                      |  |
| <b>LAFHA</b>   | <p>Australian Apprentices undertaking a Certificate II or higher level qualification may be eligible if they have to move away from their parental/guardian home for the first time to commence or remain in an Australian Apprenticeship, or are homeless.</p> <p>Australian Apprentices may be eligible for up to 12 months of LAFHA at the first year rate of \$77.17 per week, a further 12 months assistance at the second year rate of \$38.59 per week, and a further 12 months assistance at</p>   |



|  |                                       |
|--|---------------------------------------|
|  | the third year rate of \$25 per week. |
|--|---------------------------------------|

## Attachment C: Comparison of incentives - AAIP to IAA

**Table 14: Comparison of AAIP and IAA**

| Previous incentive (AAIP)  | How streamlined/simplified (IAA)   |
|--|--|
| NSNL, 'Priority AAIP', and 'other' categories  | Merged into a single category for the base incentives ( <b>\$1,500</b> commencement, <b>\$2,500</b> completion). Employers are eligible as long as their apprentice is new. If their apprentice is in an NSNL or Priority occupation, they are eligible even if the apprentice is an existing employee.  |
| Eligibility for the base incentives  | Extended to Diploma and Advanced Diploma apprentices, not just those undertaking a Certificate III or IV.  |
| Payment amounts for employers of part-time apprentices   | Increased to match the payments for full-time apprentices, eliminating the distinction between full-time and part-time across all categories.  |
| Rural and Regional Skills Shortage commencement incentive and the ASbA commencement and retention incentives | Merged into a single 'Target Groups' category. <ul style="list-style-type: none"> <li>The Rural and Regional Skills Shortage commencement incentive will reduce from <b>\$1,000</b> to <b>\$750</b>, but a <b>\$750</b> completion incentive will be added, a net gain of <b>\$500</b> for this cohort.</li> <li>The <b>\$750</b> ASbA retention incentive will change to a completion incentive, to encourage employers to retain their school-aged apprentices beyond the 12 weeks required to claim the retention incentive. ASbAs undertaking a Certificate II will no longer be eligible for this incentive, however they will still be able to claim the Certificate II Target Groups incentives.</li> </ul> |
| Nominated Equity Groups commencement incentive   | Increased from <b>\$1,250</b> to <b>\$1,500</b> , and split into a <b>\$750</b> commencement incentive and a <b>\$750</b> completion incentive.  |
| GTO Certificate II completion incentive  | Reduced from <b>\$1,000</b> to <b>\$750</b> but there will be no net loss in payments for GTOs due to the Target Groups incentives increasing by <b>\$250</b> .  |
| Support for employers of ASbAs undertaking a Certificate II  | Additional <b>\$1,500</b> commencement incentive introduced, to ensure employers of ASbAs undertaking a Certificate II are not disadvantaged by no longer being able to claim both the Nominated Equity Groups commencement incentive and the ASbA commencement and retention incentives.  |
| Support for Adult Australian Apprentices (SAAA) incentive  | Unchanged.   |
| Mature Aged Worker commencement and completion incentives  | Unchanged.   |
| Declared Drought Area commencement ( <b>\$1,500</b> ) and  | Discontinued. While the Incentive is ongoing, in June 2014 the Department of Agriculture ceased issuing  |

| Previous incentive (AAIP)  | How streamlined/simplified (IAA)   |
|--|--|
| completion ( <b>\$1,500</b> ) incentives   | <p>Exceptional Circumstances Certificates. As such it is not possible for an employer to meet the eligibility criteria to claim this incentive.</p> <p>Data for this Incentive is only available from 2004. From 2004 to date, 741 apprentices have attracted payments for their employers, totalling \$1.615M.</p>        |
| <p>Minimum total incentives <b>\$4,000</b> (Certificate III and above), <b>\$1,250</b> (Certificate II).<br/> Maximum total incentives <b>\$10,500</b> (Certificate III and above), <b>\$3,750</b> (Certificate II).</p> | <p>Minimum total incentives:<br/> <b>\$4,000</b> (Certificate III and above) – unchanged<br/> <b>\$1,500</b> (Certificate II) – increase by <b>\$250</b></p> <p>Maximum total incentives:<br/> <b>\$11,000</b> (Certificate III and above) – increase by <b>\$500</b><br/> <b>\$3,750</b> (Certificate II) – unchanged</p> |

## Attachment D: Australian Apprenticeships Priority List

| ANZSCO Code | Occupation                                      |
|-------------|---|
| 423111      | Aged or Disabled Carer                          |
| 311111      | Agricultural Technician                         |
| 334112      | Airconditioning and Mechanical Services Plumber |
| 342111      | Airconditioning and Refrigeration Mechanic      |
| 323111      | Aircraft Maintenance Engineer (Avionics)        |
| 323112      | Aircraft Maintenance Engineer (Mechanical)      |
| 323113      | Aircraft Maintenance Engineer (Structures)      |
| 362212      | Arborist  |
| 321111      | Automotive Electrician                          |
| 351111      | Baker   |
| 331111      | Bricklayer                                      |
| 351211      | Butcher or Smallgoods Maker                     |
| 394111      | Cabinetmaker                                    |
| 342411      | Cabler (Data and Telecommunications)            |
| 331212      | Carpenter                                       |
| 331211      | Carpenter and Joiner                            |
| 351311      | Chef  |
| 421111      | Child Care Worker                               |
| 312211      | Civil Engineering Draftsperson                  |
| 312212      | Civil Engineering Technician                    |
| 351411      | Cook  |
| 423211      | Dental Assistant                                |
| 321212      | Diesel Motor Mechanic                           |
| 411311      | Diversional Therapist                           |
| 334113      | Drainer   |
| 312311      | Electrical Engineering Draftsperson             |
| 312312      | Electrical Engineering Technician               |

| ANZSCO Code | Occupation                    |
|-------------|-------------------------------|
| 342211      | Electrical Linesworker        |
| 341111      | Electrician (General)         |
| 341112      | Electrician (Special Class)   |
| 411411      | Enrolled Nurse                |
| 322113      | Farrier                       |
| 333211      | Fibrous Plasterer             |
| 323211      | Fitter (General)              |
| 323212      | Fitter and Turner             |
| 323213      | Fitter-Welder                 |
| 332111      | Floor Finisher                |
| 394211      | Furniture Finisher            |
| 334114      | Gasfitter                     |
| 333111      | Glazier                       |
| 362311      | Greenkeeper                   |
| 391111      | Hairdresser                   |
| 331213      | Joiner                        |
| 362213      | Landscape Gardener            |
| 323313      | Locksmith                     |
| 311312      | Meat Inspector                |
| 322114      | Metal Casting Trades Worker   |
| 322311      | Metal Fabricator              |
| 323214      | Metal Machinist (First Class) |
| 321211      | Motor Mechanic (General)      |
| 321213      | Motorcycle Mechanic           |
| 362411      | Nurseryperson                 |
| 423312      | Nursing Support Worker        |
| 332211      | Painting Trades Worker        |
| 324111      | Panelbeater                   |

| ANZSCO Code | Occupation                       |
|-------------|----------------------------------|
| 351112      | Pastrycook                       |
| 423313      | Personal Care Assistant          |
| 334111      | Plumber (General)                |
| 322312      | Pressure Welder                  |
| 334115      | Roof Plumber                     |
| 333311      | Roof Tiler                       |
| 361211      | Shearer                          |
| 322211      | Sheetmetal Trades Worker         |
| 399112      | Shipwright                       |
| 399611      | Signwriter                       |
| 321214      | Small Engine Mechanic            |
| 333212      | Solid Plasterer                  |
| 331112      | Stonemason                       |
| 342212      | Technical Cable Jointer          |
| 342412      | Telecommunications Cable Jointer |
| 342413      | Telecommunications Linesworker   |
| 342414      | Telecommunications Technician    |
| 393311      | Upholsterer                      |
| 324311      | Vehicle Painter                  |
| 333411      | Wall and Floor Tiler             |
| 322313      | Welder (First Class)             |
| 394213      | Wood Machinist                   |

## Attachment E: Costing Assumptions

### Methodology

The regulatory burden estimates have been calculated separately for transitional and ongoing impacts.

- The ongoing component relates to changes in the regulatory burden that will be experienced in respect of future cohorts of apprentices.



- The transitional component includes temporary regulatory costs/savings: associated with an adjustment to the proposed arrangements such as decreased number of apprentices who are no longer eligible for the proposed incentives; associated with existing apprentices who are eligible to transition to the proposed arrangement; and measures with a temporary, rather than ongoing, lifespan.

The estimates include compliance related costs imposed on businesses and apprentices. They do not include costs that constitute workforce planning or that arise under the employment arrangement arising under an apprenticeship, such as the time spent in training and support.

Data underpinning the estimates has been drawn from the models used to cost the proposed arrangements, departmental apprenticeships data and estimates of the time likely to be spent/saved relative to the existing policy setting (introduction of the Australian Apprenticeships Incentives System from 1 July 2022).

The estimates do not include impacts on AASN providers, as they are a government contracted service engaged to support both the employer and apprentice to enter and undertake an apprenticeship, and to understand and avail themselves of their entitlements under the prevailing apprenticeship incentives scheme. AASNs operate in a manner that alleviates much of the compliance burden on employers and apprentices.

**Table 15: Activities**

| Proposal                | Impacted Group          | Activities  |
|-------------------------|-------------------------|---|
| New incentive structure | Employers & Apprentices | <ul style="list-style-type: none"> <li>• Business familiarisation with the changes in the incentives program.</li> <li>• For eligible apprentices, quarterly claiming of the wage incentive, replacing periodic claiming of existing incentives.</li> <li>• For ineligible apprentices, the cessation of businesses claiming for incentives.</li> <li>• For apprenticeships no longer commenced, removal of the business compliance costs of the apprenticeship.</li> <li>• For apprentices, claiming of the</li> </ul> |

| Proposal             | Impacted Group | Activities   |
|----------------------|----------------|--|
|                      |                | Wage Top-Up.   |
| Prior qualifications | Apprentices    | Removal of evidentiary requirement for affected apprentices. |

### Differences in Regulatory Burdens

The compliance cost impacts of the elements that are common to the existing AAIP and the Reform proposals are measured in an equivalent manner. The compliance costs differ under two stages of the reform (1 July 2022 to 30 June 2024 and 1 July 2024 onwards), for the equivalent proposal, due to the different number of apprentices impacted by the proposal. The number of apprentices impacted is influenced by the commencement and retention response effects modelled under the reform policy settings.