

# Apprentices of little consequence in Govt's effort to generate savings

## The Tasmanian Government made a budget decision to end the Tasmanian Trainee & Apprentice Incentive Scheme (TTAIS) on 30 June 2011.

Under the TTAIS, a payroll tax rebate is paid to employers in relation to wages paid to trainees and apprentices:

- who are under a training agreement, at or above Australian Qualifications Framework level 2, and are under a contract of training for a period of 12 months or longer; and
- for which State Government funding is being provided by Skills Tasmania to a registered training organisation.

The Scheme provided employers of trainees and apprentices with a rebate equal to the payroll tax paid in respect of those trainees and apprentices.

## Impacts of the Rebate Removal and Business Environment

1. This decision imposes an immediate 6.1% increase in the apprentice wages bill of the medium and large size businesses in the industry. Those companies would be paying an additional estimated \$1.9 million extra in payroll tax on apprentice wages per year.

2. Based on award wages this adds nearly \$1000 to the cost of a first year apprentice, rising to nearly \$2000 in the fourth year. On the assumption of even spread of years, the average cost is \$1438 per year or \$5752 over the life of the apprenticeship.

3. This additional cost is comparable to the incentive payments currently offered to employers of apprentices of four thousand dollars (Commonwealth Government), six thousand dollars (TBCITB mature age trainees) and eight thousand dollars (TBCITB selected apprenticeships).

4. The apprentice employing businesses make a critical contribution to skills supply. The building and construction industry has an ageing workforce and the continuing supply of new skilled labour is essential. Employees in training now are a necessary replacement for the accelerating retirement rate, yet alone any leakage to the resources sector.

5. It is generally anticipated that building and construction is entering a quiet phase following the record activity levels generated by the Building Education Revolution funding. As at 30 June 2011, the industry employed 22,100 workers completing construction work worth \$2.5 billion in twelve months. However, the estimated number of approvals was around \$2 billion (20% less) and work yet to be done was about \$1.3 billion

(12% less).

6. The expected downturn may lead to job losses, including redundancies amongst apprentices as businesses will now save 106.1% of every apprentice salary.

7. It is unlikely that contractors will benefit from the second Employment Incentive Scheme (Payroll Tax Rebate) EISPR2 for new employees as they focus on retaining staff for the foreseeable future and are already struggling to keep all apprentices and trainees employed.

8. Due to higher pay rates, the removal of the payroll tax exemption may adversely impact the employment of mature age apprentices. There has been a marked increase (i.e. 6.4 % to 21.3% from 1995 to 2009) in recruitment of apprentices aged over 25 years in Australia (NCVER Report 1 Overview of the Australian apprenticeship and traineeship system, 2010). This is a positive trend as it reflects continuing upskilling of the workforce and provides another source of recruits for areas of skill shortage. This group also represents a genuine opportunity to fast track an apprenticeship as they already have the practical experience, maturity and many of the skills required. Many of these recruits remain on adult wages during their training rather than dropping to apprentice wages. However, the levying of payroll tax may have a disproportionate effect on this source of recruitment due to higher wages.

9. As not-for-profit group employer companies remain exempt, we could see apprentices moved from direct employment to host employment with the subsequent loss of above award wages, marginally lower completions (hence wasted money) and a lowering of the apprentice

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First year apprentice Jimmy admits he has heaps to learn about construction, but he's in safe hands, working with Gary one of Fairbrother's most experienced employees.

Gary has worked for 45 years in construction and been with Fairbrother more than eight years. He suggests the best thing any young person entering the industry can do is: "listen and learn".

## Training

experience. If paying a fee for hosting, employers will be more stringent about their needs, i.e. they won't need to carry them during quiet weeks.

**10.** It is also important to consider the structure of the industry. It is fiercely competitive and skilled labour is commonly supplied by sub-contractors, many of whom fall below the threshold for payment of payroll tax. This decision has the very real potential to negatively influence direct employment in favour of greater use of subcontractors and group companies and consequently reduce the payroll tax take overall.

**11.** Shifting from employment to contracting as well as importing less skilled people for less pay will also be a risk.

**12.** In the long term, the removal of this tax exemption will promote breaking down the 'trades' because skill sets will have become a less costly option. With that, industry standards will wear down. The building and construction industry's preference for direct employment will be challenged.

**13.** In the meantime, this decision will reduce apprentice employment in 2012 in what was already shaping as a low intake year, may mean a shift from employment to group hire (nobody wins) and will reduce future supply when aging population is calling for increased replacement.

**CFMEU Secretary, Tony Benson is a Director on the Tasmanian Building Construction Industry Training Board (TBCITB)**



Top - 4th year apprentice Dylan making frames for the Retirement Village units. Dylan will qualify as a carpenter in January.  
Below: Marty - who has just started his 4th year.



**There are not many women working in the Tasmanian construction industry but the Bluey met two of them while visiting sites in November, both working for Fairbrother.**

Rheanna Chenhall (above) — known as Raza on site — has just finished her apprenticeship and been awarded Master Builders Australia National Apprentice of the Year.

Rheanna is working on the new Coles supermarket at Mowbray in Launceston and has been with Fairbrother for five years. She told the **Bluey**, she always wanted to do something like this and loves everything about the job.

Carissa Carpenter (pic below) is a leading hand on the Verve Retirement village in Hobart and also an award winner, taking out the Skills Institute Tasmanian apprentice of the year award in March. The **Bluey** met Carissa when she was starting out on 122 Collins Street five years ago. She'd recommend the career choice for other girls too: "If you're willing to have a go and like a challenge there's a great opportunity. And at the end of the day you've got the skill and the trade to go anywhere in the world or the possibilities of building your own home like I have," Carissa says.

The CFMEU is building networks for women in industries covered by the Union: **See story page 9.**

