



Social Security Amendment (Apprenticeship Wage Top-Up for Australian Apprentices) Bill 2007

Carol Kempner
Social Policy Section

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Social Security Amendment (Apprenticeship Wage Top-Up for Australian Apprentices) Bill 2007

Date introduced: 24 May 2007

House: Representatives

Portfolio: Vocational and Further Education

Commencement: Sections 1–3 commence on Royal Assent. The amendments contained in Schedule 1 commence on 1 July 2007.

Purpose

The Bill amends the *Income Tax Assessment Act 1997*, the *Social Security Act 1991* and the *Veterans' Entitlements Act 1986* in order to exempt the Apprenticeship Wage Top-Up payments introduced in the 2007–08 Budget from assessment as income under these Acts.

Background

Apprenticeship Wage Top-Up payments

In the 2007–08 Budget, the Government announced under its [*Realising our potential*](#) measures the introduction of Apprenticeship Wage Top-Up payments. Payments will be made to apprentices who are under 30 years of age and who are undertaking Australian Apprenticeships in areas of skill shortage as defined by the [*Migration Occupations in Demand List \(MODL\)*](#). The payments will total \$2 000: \$1 000 for each of the first and second years of training. This payment recognises that the low level of apprentice wages in the first two years of training, estimated to average \$15 000 and \$19 500 respectively,¹ may discourage potential apprentices.

Full-time apprentices will attract \$1 000 annually in two instalments. Part-time and school-based apprentices will receive \$500 annually, attracting the full \$2 000 over a longer period of time. The payments will be tax-free and will not count as income for determining eligibility for income support, e.g. income support provided by the Youth Allowance or Austudy.

Basis for the policy commitment

The Government has been extending the regime of financial incentives available to individuals to encourage them to engage in vocational education and training (VET). Making VET, and more specifically apprenticeships in the traditional trades, more

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attractive to both employers and students, is one of the Government's strategies to combat skill shortages.

Traditionally the Commonwealth's financial incentive payments have mainly been in the form of wage subsidies to employers of apprentices. These employer subsidies have been enhanced, and in recent years have become more targeted to areas of skill shortage.

A recently introduced incentive, which may either be paid to the employer or to the apprentice, is the wage subsidy for mid-career apprentices, i.e. those over 30 years of age, undertaking apprenticeships in occupations in high demand. The introduction of this incentive from 1 July 2007 was in recognition that mid-career workers with family responsibilities would be less likely to be attracted to apprenticeships if they were to be paid the standard training wage. It provided for \$7 800 in the first year and \$5 200 in the second year.²

A range of other measures have been introduced that target the apprentices themselves. The extension of eligibility for the Youth Allowance and Austudy for over-25-year-olds to apprentices, from 1 July 2005, was one such measure. Other measures introduced at the same time were targeted specifically to apprentices in areas of skill shortage. These included the Commonwealth Trade Learning Scholarship and the toolkits provided under the Tools for Your Trade initiative.

The introduction of the Apprenticeship Wage Top-Up payments both supplements and complements these measures that target the individual apprentice undertaking an apprenticeship in areas of skill shortage.

Financial implications

Funding for the Apprenticeship Wage Top-Up payments will be provided separately through annual appropriations. The payments are estimated to cost \$342.5 million over four years. No estimate has been provided for the cost of the income exemptions.³

Main provisions

As outlined in the Explanatory Memorandum.

Concluding comments

There are signs of higher levels of training in the 'traditional trades' which include areas of skill shortage. In the year to September 2006, the number of 'traditional apprentices' in

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training rose by 8 per cent. Of the 404 200 apprentices and trainees, 159 100 were 'traditional apprentices'.⁴ The extent to which government incentives such as a tax-free extra \$1 000 per year can contribute to this is impossible to calculate, as strong labour demand and market conditions are likely to be major factors.

The Apprenticeship Wage Top-Up payment is an additional benefit that will only be available to those apprentices in skill-shortage areas. The income and tax-free status of the payment is obviously designed so that it can supplement any financial assistance that some may already be receiving by way of the Youth Allowance and Austudy. The age limit is in turn designed so as not to duplicate the wage subsidy paid for mid-career apprenticeships in areas of high demand.

It is also likely that the payment is being introduced on account of the less-than-anticipated numbers who have benefited from the more generally-available income support provided by the Youth Allowance. Only 8 052 Australian Apprentices actually received the Youth Allowance in 2005–06, a figure well below departmental estimates of 75 000 when it was first announced⁵ and 15 854 when it was revised in the context of the 2005–06 Additional Estimates Hearings.⁶ The explanation given by the Department was that the revised estimates 'reflect higher than anticipated New Apprenticeship wages and parental incomes, likely to be a reflection of the current strong labour market and economic conditions'.⁷ The Apprenticeship Wage Top-Up payment will not be subject to any such limitations and it has been estimated that it will benefit 228 000 Australian Apprentices over four years.⁸

Endnotes

1. Andrew Robb, Minister for Vocational and Further Education, [*\\$1,000 tax free boost to take home pay of apprentices*](#), media release, 8 May 2007.
2. John Howard, Prime Minister, *Skills for the future*, Ministerial statement to Parliament, 12 October 2006.
3. Explanatory Memorandum, p. [2].
4. National Centre for Vocational Education Research (NCVER), 'Apprentices and trainees, September quarter 2006', <http://www.ncver.edu.au/statistics/aats/quarter/sept2006/sept06sum.pdf>, accessed on 28 May 2007.
5. John Howard, Prime Minister, *Extending Youth Allowance eligibility to New Apprentices*, media release, 26 September 2004.
6. Senate Employment, Workplace Relations and Education Committee, Education, Science and Training portfolio, 2005–06 Additional Estimates Hearing, February 2006, Answers to questions on notice, 'DEST Question No. E1020_06',

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http://www.aph.gov.au/Senate/committee/eet_ctte/estimates/add_0506/dest/e1020_06.pdf,
accessed on 28 May 2007.

7. *ibid.*
8. Andrew Robb, Minister for Vocational and Further Education, 'Second reading speech: Social Security Amendment (Apprenticeship Wage Top-Up for Australian Apprentices) Bill 2007', House of Representatives, *Debates*, 24 May 2007, p. 11.

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