



**National Australian
Apprenticeship Association**

Avoiding unintended consequences
of the
Australian Apprenticeship Wages Subsidy Program

Background

Minister Cash announced the creation of the Australian Apprenticeship Wages Subsidy Program (AAWSP) in October 2018. This paper responds to the consultation process that supports the implementation of program.

The National Australian Apprenticeships Association (NAAA) welcomed the Federal Government's announcement to pilot a wage subsidy program for apprentices in regional and remote Australia.

The program is targeted at small businesses that offer apprenticeship opportunities on the skills needs list in regional and remote Australia. It will help a wide range of businesses that have not employed apprentices before, or those that haven't done so for 3 years or more.

Apprenticeship Network Providers are strongly supportive of policy measures like this that enable employers to participate in the system for the first time.

The program provides a wages subsidy that averages \$37,000 for up to 1620 eligible employers. The Association anticipates that there will be very high demand for these places.

Possible unintended consequences

There are six main unintended consequences that we can foresee:

1. Potentially eligible employers will hold off their commencements until the 1st of January.
2. This will create a "January Sales" type rush for eligible placements in the first week of the New Year. The anticipated daily spreadsheet update by Apprenticeship Network Providers (ANP) may become quickly overwhelmed with competing demand in the first weeks of the program.
3. Host employers that use a Group Training Organisation could potentially be eligible where they have not employed an apprentice using their company ABN.
4. This will see eligible host employers move away from Group Training Organisations in order to claim the incentive.
5. It will also dissuade eligible employers currently considering using a GTO for the first time from doing so, despite the fact that this could be a good way of supporting apprentice hosts.
6. Long term employers of apprentices will be disappointed that they are ineligible to apply for the assistance. They may pull out or scale back their commitment as a result, undermining the overall aim to grow commencement levels.

Recommended solutions

1. Make a nominal place allocation to each ANP based on their currently contracted share of the apprenticeship market. This will help ANPs manage the flow of information about the availability of places to potentially eligible employers. Any unused places that remain by the end of January could be reallocated to ANPs with employers on their waiting list. This process would be complemented by the spreadsheet updates currently envisaged.¹
2. Start the uptake of places from midday AEST on Monday January 7th to avoid some ANPs seeking an advantage by lodging backlogged sign-ups at 12.01am on New Year's Day. In conjunction with recommendation 1 this will make the process orderly and help provide accurate information about eligibility and availability of places to employers.
3. Current "host employers" using a GTO should be deemed ineligible for the program (unless recommendation 5 is adopted).
4. However, new hosts using a GTO should be eligible for the program where the GTO passes the full wage subsidy to the eligible host employer. GTOs should be consulted about how to avoid cost shifting of other administrative costs to new host employers.
5. In order to reward long term employers of apprentices open up the eligibility to all rural and regional apprentice employers that offer vocations on the National Skills Needs List.

Whilst the program guidelines are still under development there is significant anecdotal evidence that some of the unintended consequences are already playing out.

¹ This recommendation has majority but not unanimous support by Association members