

PAY-ROLL TAX ASSESSMENT AMENDMENT BILL 2019

Second Reading

Resumed from 16 May.

HON SUE ELLERY (South Metropolitan — Leader of the House) [5.42 pm] — in reply: When the house was last sitting, I had begun my reply by going through each of the issues that had been raised by the relevant members and I thanked them for their contribution. I had noted that in their contributions, a number of members had commented on the number of apprenticeships and traineeships. Although there certainly was a dip in the number in 2016–17, I was pleased to tell the house that it had increased in 2018 and again in 2019. In the 12 months to the end of February 2017, there was a reduction in the number of apprenticeships and traineeships from 18 036 to 16 177. However, that number started to increase in 2018 and went up to 16 915 and up again in the 12 months to the end of February 2019 to 17 174. That is six per cent higher than the number of apprenticeship and new entrant traineeship commencements in the 12 months to February 2017.

One of the other issues was that the scheme effectively takes away a benefit by lifting the exemption. In fact, we are extending a benefit to a much wider group of employers. Those employers who had not previously been able to receive financial assistance from the government to take on an apprentice or trainee because they did not fall within the capture amount of payroll tax will now, in fact, be eligible. A whole raft of additional small to medium-sized businesses will receive financial assistance from the government to employ apprentices and trainees.

Another issue was how many people the exemption would apply to. Our projection is that the number of employers who benefit from the payroll tax exemption will go from approximately 2 600 to, potentially, 5 900. They will receive either the payroll tax exemption for apprentices or the new employer incentive scheme for both apprentices and trainees. In addition, the employer incentive scheme will enable the state to meet our obligation to match the commonwealth funding under the National Partnership on the Skilling Australians Fund. That will bring in an additional \$110 million of commonwealth government funding.

An issue was raised by, I think, Hon Aaron Stonehouse about why the employer incentive scheme was not referred to in the legislation, and what the legislative base of the scheme is. It was a quite deliberate decision to not include the scheme in the legislation. Firstly, we do not need to. The minister—in this case, me—responsible for vocational education and training under the Vocational Education and Training Act 1996 already has a head of power that enables the Minister for Education and Training to provide funds to individuals for training-related purposes. Perhaps more importantly than that, the feedback we got after extensive consultation with employers was that they wanted the scheme to be as flexible and responsive as possible. They wanted the capacity for adjustments to be made quickly in the event of a shift in state training priorities or to address any bumps, I suppose, in the scheme that might need to be addressed. It was a quite deliberate decision to not refer to the scheme in the legislation. Section 9(2)(e) of the Vocational Education and Training Act 1996 grants a head of power to the Minister for Education and Training to provide grants.

Hon Aaron Stonehouse also asked: why apprentices and not trainees? When payroll tax reforms were first announced in December 2017, industry expressed a preference to retain the payroll tax exemption for apprentices rather than move to an incentive scheme. The difference between apprentices and trainees already exists in respect of eligibility for various schemes. For example, some employers are eligible for construction training fund grants, but not for all their apprentices or trainees. The scheme will be administratively simple and will avoid further red tape for employers.

Hon Aaron Stonehouse also asked about the particular features of the scheme, and I am happy to provide that information. Employers who will be eligible under the scheme include private employers, group training organisations, government trading enterprises, local governments and not-for-profit organisations. Another question was asked about not-for-profit organisations as well, so I will answer that at the same time. Employers with assessable wages below the payroll tax threshold are eligible for the employer incentive scheme for apprentices and trainees. Employers that pay payroll tax are eligible for the scheme for trainees and a top-up payment for apprentices if the exemption is of lower value than the incentive payment. Industry raised this with us during the consultation period. It wanted a top-up to be available so that there would not be a gap between the trainees and the apprentices if the exemption was of lower value than the incentive payment. Group training organisations and not-for-profit organisations will be eligible for the scheme, regardless of their payroll tax assessment status. The current payroll tax threshold is \$850 000 per annum.

Employers liable for payroll tax that claim an exemption for their apprentices, and apprentices and trainees who attract a Construction Training Fund grant, will be excluded. We did not want them to be able to double dip and for there to be two forms of grants. The question was raised about state and commonwealth government agencies. They will be excluded, as will existing worker traineeships. Construction industry employers may be eligible for

the employer incentive scheme for qualifications that are outside the scope of the Construction Training Fund, such as new worker traineeships in administrative skills.

Hon Diane Evers asked why state government employers will not be eligible. As government employers, they receive a budget appropriation to meet all employment costs, including for apprentices and trainees. Effectively, those costs are already budgeted for.

Hon Diane Evers: Does that include government trading enterprises?

Hon SUE ELLERY: GTEs will be captured by it.

The purpose of the employer incentive scheme is not to grow the public service; it is to provide assistance to employers in the private sector. As they are primarily self-financing and operate on a commercial basis, GTEs are different from other state government agencies. They employ trade workers in critical industry areas, so GTEs will be eligible for the employer incentive scheme.

Employers of regional apprentices and trainees will be eligible for loadings on top of the base incentive payment. There will be a 10 per cent south regional loading for apprentices and trainees who live and work in the goldfields, Esperance, the great southern, Peel, the south west and the wheatbelt. There will be a 20 per cent north regional loading for those who live and work in the Pilbara, the Kimberley, the Gascoyne and Indian Ocean territories.

A question was asked about whether not-for-profits will be eligible. They will be. I have already provided a response to that.

Hon Donna Faragher asked about the split of payments if an apprentice leaves. If an apprentice or trainee changes employer part way through a training contract, the incentive will be paid to each employer on a pro rata basis in accordance with the milestone payments. Incentive payments will be made only if a milestone has been reached.

A question was asked about communication and marketing—that is, how employers will know about the scheme. They will be provided with information about how to access the scheme through fact sheets and delivery partners, such as jobs and skills centres, Australian Apprenticeship Support Network providers and other promotions.

Hon Donna Faragher: The government has already put it up on the website.

Hon SUE ELLERY: We have been consulting with industry pretty widely; it is keen for the scheme to start.

Employers will also be informed when new training contracts are registered on or after 1 July. Access to the scheme will be by a secure login to the WA apprentice management system portal. Information about eligibility and estimated entitlements for each milestone will be available online as well. Mechanisms will be in place to prevent exploitation of the scheme. Employers must agree to the terms and conditions and general conditions to be eligible. The scheme will be monitored to ensure employers offer genuine employment. The usual quality assurance mechanisms will apply. Contracts of trainees will still need to be appropriate for the intended occupation. Trends will be monitored closely to ensure employers do not turn over employees excessively just to get the incentive. Validation checks will be conducted on employers, registered training organisations and apprentices and trainees to ensure that employers genuinely participate in the scheme. Additionally, validation checks will be conducted at each milestone payment to ensure that the apprentice or trainee continues to be employed and in training. Milestones will require a significant commitment by employers before they receive a payment. The Department of Training and Workforce Development will monitor employee sign-ups and non-completion for evidence of any exploitation of workers or any kind of gaming—if I can use that expression—of the system.

The employer incentive scheme will be managed within a fixed budget, with the provision of five per cent compounding annual growth in commencements and higher milestone achievement rates. Ongoing monitoring against historical trends and an annual review cycle will enable adjustments as required. Other potential strategies to address oversubscription include adjusting payment rates, limiting the eligibility of courses based on qualification level and priority needs, and adjusting the value of the loadings, if those things are required to occur.

I think that tackles each of the issues raised during the course of the second reading debate. I commend the bill to the house.

Question put and passed.

Bill read a second time.

Leave granted to proceed forthwith to third reading.

Third Reading

Bill read a third time, on motion by **Hon Sue Ellery (Leader of the House)**, and passed.