



Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009

Danielle Chubb and Peter Yeend
Social Policy Section

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Glossary

Abbreviation	Definition
ACF	Australian Conservation Foundation
ACTU	Australian Council of Trade Unions
AMWU	Australian Manufacturing Workers' Union
CTLS	Commonwealth Trade Learning Scholarship
CPRS	Carbon Pollution Reduction Scheme
DEEWR	Department of Education, Employment and Industrial Relations
DEST	Department of Education, Science and Training
ETS	Emissions Trading Scheme
ITAA	Income Tax Assessment Act
NSNL	National Skills Needs List
SSA	Social Security Act
TFYT	Tools For Your Trade
VEA	Veterans' Entitlements Act

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Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009

Date introduced: 25 May 2009

House: House of Representatives

Portfolio: Education

Commencement: 1 July 2009

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

The purpose of this Bill is to amend the *Income Tax Assessment Act 1997* (ITAA), the *Social Security Act 1991* (SSA), and the *Veterans' Entitlements Act 1986* (VEA), to exempt, as taxable income, payments made to Australian Apprentices under the *Skills for Sustainability for Australian Apprentices program* and the *Tools For Your Trade* (TFYT) program.

Background

An additional \$23.6 million of additional funds will be invested over four years in the TFYT for Australian Apprentices program, making up a total investment of \$670.1 million. Under this program, three existing payments will be combined into a single, extended TFYT payment. This new payment will be paid in five instalments to apprentices in trades experiencing skills shortages, as well as to apprentices working in agricultural and horticultural occupations (where these are in rural and regional areas). The total payment to apprentices over the five years will be \$3800. The new eligibility rules will extend the entire payment to apprentices who were previously only eligible for certain programs, and not eligible for others.¹

Skills for the Carbon Challenge will provide \$26.9 million over four years, to respond to key priorities from the Productivity and Sustainability streams of the 2008 Australia 2020

1. Australian Government, *Budget measures: budget paper no. 2: 2009-10*, Commonwealth of Australia, Canberra, 2008, p. 183.

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Summit.² These priorities include the improvement of both the capacity of industry, as well as of the vocational education and training sector, to respond to the exigencies of climate change. This is a pilot incentives program, which will provide support for Australian apprentices engaged in occupations experiencing skills shortages, according to the National Skills Needs List (NSNL).

TFYT is to be paid under the auspices of the *Australian Apprenticeships Incentives* program and is aimed at streamlining payments that were previously payable under three separate programs. Under the *Sustainability for Australian Apprentices* program, tax-free payments of \$1000 will be made to Australian apprentices who have undertaken a required threshold of sustainability training. Approximately 5000 apprentices will be eligible for this payment.³

Tools for Your Trade – Current Arrangements

The TFYT payment is currently made under the broader *Australian Apprenticeships Incentives* program and is the subject of a restructuring effort under this Bill. This restructure is intended to deliver savings, presumably through a reduction in administration costs, which will be redirected into areas where perceived skills shortages are present, thereby allowing the Government to maintain current expenditure levels overall.⁴

The *Australian Apprenticeships Incentives* program provides a range of different incentives for apprentices and employers. The program has evolved, since 1996, with the addition of incentives for which individuals must meet different eligibility criteria.⁵ This Bill allows for the simplification and streamlining of three of these incentives, as well as for the expansion and simplification of the eligibility criteria.

The three incentives currently available to Australian apprentices that will be abolished to make way for the new TFYT payment are the:

- Commonwealth Trade Learning Scholarship

2. J. Gillard, “Second Reading Speech: Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009”, House of Representatives, *Debates*, 28 May 2009, <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F2009-05-28%2F0021%22>
3. J. Gillard, “Second Reading Speech: Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009”
4. C Kempner, *Vocational Education and Training*, Budget Review, 2009-10, Parliamentary Library, Canberra, 2009, viewed 1 June 2009, http://www.aph.gov.au/library/pubs/RP/BudgetReview2009-10/Education_VocEduTrain.htm
5. Kempner, *Vocational Education and Training*.

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- \$800 Tools For Your Trade voucher program, and the
- Apprenticeship Wage Top-Up.⁶

The Commonwealth Trade Learning Scholarship (CTLS) and the current TFYT voucher program were introduced as part of the Howard Government's 2004 election campaign. These initiatives sought to increase the number of apprentices in areas of identified skills shortage (according to the NSNL),⁷ by providing incentives to both employers and would-be apprentices.⁸

Commonwealth Trade Learning Scholarship

The CTLS, introduced in the 2005-06 Budget, was paid through two tax-exempt \$500 payments, and was available to all Certificate III and IV New Apprentices undertaking qualifications in trades experiencing skill shortages with a small to medium business. The Scholarship was payable to apprentices at the end of each of the first and second years of their new apprenticeship.⁹

Tools For Your Trade

The TFYT initiative, also introduced in the 2005-06 Budget, supplied eligible apprentices (also in trades experiencing skill shortages) with tool kits with a value of up to \$800, upon completion of their first three months of training.¹⁰

Apprenticeship Wage Top Up

The Apprenticeship Wage Top Up incentive was introduced in the 2007-08 Budget as part of the *Realising Our Potential Initiative*. The payment was made to apprentices under 30

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6. J Gillard, "Second Reading Speech: Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009".
 7. For more information on the NSNL, see: Australian Government, "National Skills Needs List", Australian Apprenticeships website, 2009, viewed 3 June 2009, http://www.australianapprenticeships.gov.au/whatsnew/NSNL_announced.asp
 8. For more information on the background on this policy response to skills shortages, see: Yeend and Kempner, Social Security Amendment (Extension of Youth Allowance and Austudy Eligibility to New Apprentices) Bill 2005 (DIGEST?) This is just a ref to the Bill.
 9. Department of Education, Science and Training (DEST), "Budget Fact Sheet: Commonwealth Trade Learning Scholarships", DEST website, 2005, viewed 1 June 2009, http://www.dest.gov.au/portfolio_department/dest_information/publications_resources/resources/budget_information/budget_2005_2006/fact_sheets/ctls.htm
 10. Department of Education, Science and Training (DEST), "Budget Fact Sheet: Tools For Your Trade", DEST website, 2005, viewed 1 June 2009, http://www.dest.gov.au/portfolio_department/dest_information/publications_resources/resources/budget_information/budget_2005_2006/fact_sheets/tools.htm

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years of age who were undertaking Australian apprenticeships in trades experiencing skill shortages. The tax free payment was available as two \$1000 payments made in the first and second years of the apprenticeships.¹¹ The payment was made to attract potential apprentices who may otherwise have been discouraged by the low level of wages during their first two years of apprentice training.¹²

Proposed changes to the Tools For Your Trade program

The new TFYT payment amalgamates these three separate payments and aims to streamline eligibility criteria across the three payments. This new payment is forecast to increase by 14 000 the number of apprentices receiving support.¹³ The new TFYT initiative will involve the payment of \$3800 in five separate instalments, over the life of the Australian apprenticeship. For apprentices who began their training on or before 12 May 2009, transitional arrangements will ensure that they will still be eligible for their tool kit after three months, as per arrangements under the previous program.¹⁴

Skills for Sustainability for Australian Apprentices

Skills for Sustainability is a pilot program that falls under the auspices of the *Skills for the Carbon Challenge* initiative.

Skills for the Carbon Challenge has been established in response to proposals delivered at the 2020 Summit held in April 2008. The development of a ‘world-class climate change education program’ was put forward as one of the key initial ideas by the climate change group within the *Population, Sustainability, Climate Change, Water and The Future of our Cities* stream. It was envisaged that such a program would involve the ‘development of ... green economy skills’ and ‘investment in technology, infrastructure and industry skills’.¹⁵ In this context, the *Skills for Sustainability* program is intended to accelerate the response of industry to climate change, by encouraging the participation of Australian apprentices to a threshold level of training in sustainability and environmentally

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11. Australian Government, “Education and Training: 2007-08 Budget Initiatives”, APH website, 2007, viewed 1 June 2009, <http://www.aph.gov.au/budget%20dummy/budget%202007-08%20mirror/2007-08/ministerial/html/dotars-09.htm>
 12. C Kempner, *Social Security Amendment (Apprenticeship Wage Top-Up for Australian Apprentices) Bill 2007*, Bills digest, no. 166, 2006-07, Parliamentary Library, Canberra, 2007, viewed 1 June 2009, <http://www.aph.gov.au/library/pubs/bd/2006-07/07bd166.htm>
 13. E Sherlock, “Apprentices to receive \$3800 for books, fees”, *Canberra times*, 13 May 2005, p. 11
 14. J Gillard, “Second Reading Speech: Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009”
 15. Australian Government, “Responding to the 2020 Summit”, Canberra, Department of Prime Minister and Cabinet, 2009, p. 70

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sustainable work practices.¹⁶ The pilot program is envisaged to provide support for around 5000 apprentices engaged in occupations under the NSNL.¹⁷

Occupations that will receive a special focus through this program are those most impacted upon by climate change, including plumbing, heating, ventilation and air-conditioning.¹⁸

Financial implications

Both programs will be paid for through annual appropriations. *TFYT for Australian Apprentices* is estimated to cost \$670.1 million over four years. *Skills for Sustainability for Australian Apprentices* is estimated to cost \$20 million over four years. Like the programs being replaced, the payments through these new programs will also remain tax-free.¹⁹

Since this is a demand-driven program, with an uncapped number of apprentices eligible for the program, the financial implications of the income-tax exemptions are unable to be estimated as they will be dependent upon the numbers of apprentices who fulfil the eligibility criteria.

Key issues

Green workforce growth

The *Skills for Sustainability* component of this Bill aims to equip current and future apprentices with skills to prepare them for the requirements of industry under the climate change Bills currently being considered by the Parliament, and that have been referred to a number of Senate Committees.²⁰

16. Explanatory Memorandum, *Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009*

17. Sherlock, “Apprentices to receive \$3800 for books, fees”

18. J Gillard, 2020 Summit: Skills for the Carbon Challenge

19. J Gillard, “Second Reading Speech: Social Security and Other Legislation Amendment (Australian Apprentices) Bill 2009”

20. For more information on the committee inquiry, see:
http://www.aph.gov.au/Senate/committee/economics_ctte/cprs_2_09/index.htm.

The text of the *Carbon Pollution Reduction Scheme Bill 2009* is available online at:
http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query%3DId%3A%22legislation%2Fbills%2Fr4127_first%2F0001%22

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A recent report released by the Australian Council of Trade Unions (ACTU) and the Australian Conservation Foundation (ACF) argued that, ‘with the right policy settings, we [Australia] have an opportunity to turn action to combat our environmental challenges into growth of the green economy’.²¹ Specifically, the report, entitled *Green Gold Rush: how ambitious environmental policy can make Australia a leader in the race for green jobs*, identifies six ‘green collar’ industries that will be central to these policies. Alongside tertiary education needs, it argues strongly for the ‘green skilling of the current workforce’.²² The Commonwealth Scientific and Industrial Research Organisation (CSIRO) projects the creation of 2.5 million jobs by 2025 and argues that these new jobs will require green skill sets that are not currently held by the majority of the skilled workforce.²³

In a Joint Statement released prior to the 2009 Budget, the ACF and ACTU, in coalition with the Property Council of Australia, The Climate Institute, the Australian Green Infrastructure Council and the Australian Council of Social Service, called for the promotion of ‘green skills’:

Australia needs to prepare its workforce for the low-carbon economy of the 21st century. We call for an immediate 40,000 productivity places to be allocated for green skills development, and for Skills Australia to lead a national Green Skills package.²⁴

The Australian Manufacturing Workers’ Union (AMWU) makes similar arguments in its response to the Federal Government’s Carbon Pollution Reduction Scheme (CPRS) Green Paper. It warns that, in the case of an Emissions Trading Scheme (ETS), workers will need to be adequately supported in the shift to a clean energy economy. Among the series of recommendations generated as part of the AMWU’s review of the issues surrounding climate change mitigation efforts, it was proposed that the Federal Government:

Assist workers, communities and industries affected by the impacts of global warming and by the transition to the new economy with industry/regional

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21. Australian Conservation Foundation (ACF) and Australian Council of Trade Unions (ACTU), *The Green Gold Rush: how ambitious environmental policy can make Australia a leader in the race for green jobs*, Melbourne, ACF and ACTU, 2008, p. 2
 22. ACF and ACTU, *The Green Gold Rush*, p. 17
 23. Cited in ACF and ACTU, *The Green Gold Rush*, p. 18
 24. ACF, ACTU, Property Council of Australia, The Climate Institute, Australian Green Infrastructure Council and the Australian Council of Social Service, “Towards a Green New Deal: Enhancing the *Nation Building and Jobs Plan*”, Joint statement, 9 February 2009, viewed 2 June 2009, <http://www.actu.asn.au/Images/Dynamic/attachments/6202/SCCC%20Plus%20Response%20to%20Economic%20Stimulus%20EMBARGOED%20Monday%2009%20Feb%202009.pdf>

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development programs and adjustment support, including re-skilling, education and training programs and income support.²⁵

The Australian Greens have consistently argued for the ‘green skilling’ of the Australian workforce and criticise both the Government’s CPRS and the scale and nature of efforts made towards the creation of a new ‘green workforce’:

Sharan Burrow is happy to accept the meagre tally of 23,000 jobs promised under Mr Rudd’s failed CPRS – when in fact her own Green Gold Rush report showed we could create 800,000 jobs if we stop bowing to polluters and move to ambitious emissions reduction targets, renewable energy feed-in tariffs, comprehensive energy efficiency plans and start training workers for the new economy.²⁶

New climate change-related policies (such as an ETS) are predicted to result in a shift in the types of goods and services demanded in the future, and this, in turn, means that different skill sets will be demanded of employees. The Garnaut climate change review, which has played an important part in the development of the Government’s climate change policies has argued:

The structural changes that will emerge in a low-emissions, growing economy will change requirements for human capital. In Australia, a history of skills development has been inherent in a globally successful resources sector. Australia should be structurally well-placed to apply such skills to new activities ... The need to supply appropriately skilled people ... is in addition to the need to develop new knowledge and skills in existing roles and sectors around the issues that emerge from the implementation of climate change policies.²⁷

Position of significant interest groups

There has been little commentary specifically related to this Bill. However, the ACF , while critical of some of the carbon reduction initiatives announced in the Federal Budget,

25. Australian Manufacturing Workers’ Union (AMWU), *Making our future: Just Transitions for climate change mitigation*, 2008, viewed 2 June 2009,

http://www.amwu.org.au/content/upload/files/report/making-our-future_0708.pdf

26. B Brown, *Burrow sells out jobs and conditions*, media release, 29 May 2009, viewed 2 June 2009,

<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F7GPT6%22>

27. R Garnaut, *The Garnaut climate change review*, Melbourne, Cambridge University Press, p. 586

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has nevertheless heralded the Green Skills development initiatives as part of the *Skills for the Carbon Challenge* program as ‘good news’.²⁸

Main provisions

Schedule 1 – Amendments

Income Tax Assessment Act 1997

Item 1 – Section 11-15 (at the end of the table item headed “education and training”)

Item 1 amends section 11-15 of the ITAA by adding an extra class of recipients whose payments will be exempt from taxation. These recipients include those eligible for the Skills for Sustainability for Australian Apprentices payment, as well as the Tools For Your Trade payment (under the Australian Apprenticeships Incentive Program). These changes are made to reflect the amendment made by item 2 (below).

Item 2 – Section 51-10 (at the end of the table)

Item 2 inserts two new payment types into the table at the end of section 51-10. This adds the two payments (Skills for Sustainability for Australian Apprentices, and Tools For Your Trade (under the Australian Apprenticeships Incentive Program)) to the list of education and training amounts that are exempt from income tax.

Item 3 – Application of amendments

Item 3 allows the above amendments (**items 1 and 2**) to apply to income assessments from the 2009-10 income year, as well as to later income years.

Social Security Act 1991

Item 4 – After paragraph 8(8)(ta)

Item 4 inserts paragraphs 8(8)(tb) and 8(8)(tc) into the SSA. These insertions allow for payments made by the Commonwealth under the Skills for Sustainability for Australian Apprentices program and Tools For Your Trade (under the Australian Apprenticeships Incentive Program) to be exempt from being defined as income under the Act.

28. Australian Conservation Foundation (ACF), “Good news and bad news in the Federal Budget”, ACF website, 2009, viewed 2 June 2009, http://www.acfonline.org.au/articles/news.asp?news_id=2258

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Veterans' Entitlements Act 1986

Item 5 – After paragraph 5H(8)(xaa)

Item 5 inserts paragraphs 5(H)(8)(xac) and 5(H)(8)(xac) into the VEA. These insertions allow for payments made by the Commonwealth under the Skills for Sustainability for Australian Apprentices program and Tools For Your Trade (under the Australian Apprenticeships Incentive Program to be exempt from being defined as income under the Act.

Concluding comments

The Bill should help to streamline existing incentive arrangements for both Australian apprentices and their employers. It should also promote the participation of select employers and Australian apprentices in sustainability-related training. As part of a broader effort to tackle climate change, this Bill will assist employers and apprentices to prepare for the changing needs of buildings, technologies and industries. The expansion and simplification of the proposed TFYT program will reduce the administrative costs associated with the previous program and improve equity of access for apprentices, allowing for a greater number of apprentices to be eligible for the available assistance.

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