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Finance and
Administration Committee

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Finance and Administration Committee
Queensland Parliamentary Service
By email: FAC@parliament.qld.gov.au

Dear Sir/Madam,

As the state's peak body for business, the Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide feedback to the Finance and Administration Committee on the *Payroll Tax Rebate, Revenue and Other Legislation Amendment Bill 2015* (Bill).

Importance of training

Ensuring that all Queenslanders are given the opportunity to receive crucial on-the-job training is an important issue to Queensland's small business community. A strong and productive workforce is central to business success and underpins full employment and economic growth.

Apprentice opportunities are particularly important for the development of skills by young people, which aligns with the State Government's commitment to address Queensland's soaring youth unemployment rate, and in turn positively impacting the State's declining apprenticeship numbers.

While responsibility for the formation and development of skills is shared by both government and the private sector, businesses are the entry-point for on-the-job training. They perform an important service by taking on individuals in a training capacity and it is essential that they continue to do so.

Accordingly, it is important that businesses receive government support and incentives to maintain and build a skilled workforce. Businesses' capacity to invest in apprentices is vulnerable to economic cycles. This requires government commitment to ensure that Queensland businesses can continue to create apprentice opportunities during low economic cycles, and thus place the State in a good position for when the economy improves.

Commencements for apprenticeships in Queensland have significantly declined in the past 30 months. This aligns with the rise in trend unemployment (currently at 6.5 per cent) and critically high youth unemployment (14 per cent). Given the current economic climate, it is crucial that the State Government doing everything it can to encourage employers to take on apprentices and train the workers of the future.

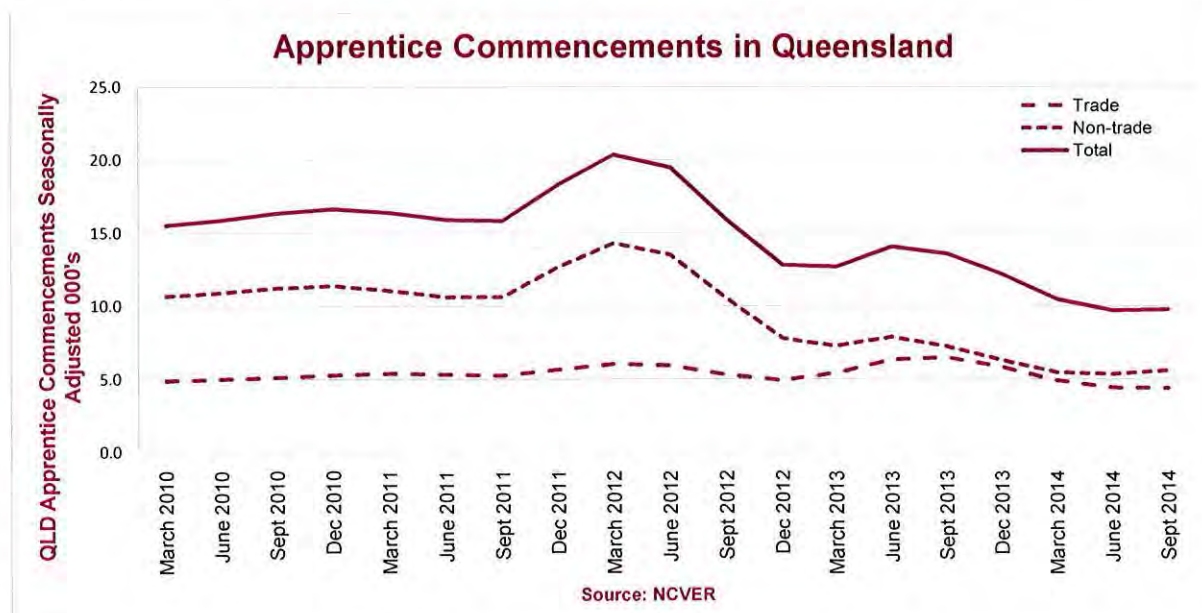
Challenges

Recent policy decisions by the Federal Government have undermined the role of apprenticeships and traineeships, creating significant uncertainty for employers about whether they can commit to a two or four year training contract.

It is commonly accepted that first year apprentices require maximum supervision and make minimal contribution to productivity levels, which makes hiring an apprentice a significant commitment for a business to undertake. Despite this, in late 2013 the FWC varied more than 50 modern awards containing apprentice wage rates and conditions of employment, significantly increasing first and second year apprentice wage rates from 1 January 2014.

Wage Rates	Before 1 Jan 2014	From 1 Jan 2014
First year apprentice who has completed year 12	42%	55%
Second year apprentice who completed year 12	55%	65%
Third and fourth year apprentices		No change
First year adult apprentice	4 year 81% of L5 3 year 80% of L5	80% of tradesperson rate
Second year adult apprentice	4 year 85% of L5 3 year 88% of L5	The higher of the national minimum wage or the lowest adult classification

These wage increases, coupled with the cessation of commencement and completion incentive payments to employers by the Commonwealth, were counterproductive to job creation and undermined state efforts to improve declining apprentice and trainee numbers. Unsurprisingly, Queensland apprentice commencement numbers continued to decline, with the most recent data from the National Centre for Vocational Education Research (NCVER) confirming a 25 per cent decrease in apprentice commencements year on year: 55,000 commencements in 2013 down to 41,200 commencements in 2014.



Payroll tax rebate

CCIQ strongly supports State Government initiatives that look to address the above challenges and that encourage on-the-job training. The provision of a payroll tax rebate for employers who hire an apprentice or trainee, as proposed in the Bill, is an excellent example of good policy that provides employers with a financial incentive to continue training the skilled workers of the future. Accordingly, CCIQ supports this Bill.

However, it is important to note the limitations of this initiative. The benefit of a payroll tax rebate is limited in that the rebate will only be accessible to businesses that have an annual wages bill over \$1.1 million and are consequently required to pay payroll tax. At present, only 11,000 Queensland businesses are required to pay payroll tax, representing only three per cent of Queensland's business community.

Business size	Number of businesses	Per cent of total businesses
Non-Employing	255434	61.7%
1-4 Employees	107590	26.0%
5-19 Employees	40192	9.7%
Less than 20 Employees	403216	97.3%
20-199 Employees	10419	2.5%
200+ Employees	582	0.1%
Greater than 20 Employees	11001	2.7%
Total	414217	100%

Source: Australian Bureau of Statistics, Cat. 81650.0

Thus, with only a minor proportion of Queensland's business community eligible to benefit from this payroll tax rebate initiative, the opportunity to meaningfully impact apprentice and trainee numbers is significantly diminished, with the State Government relying on this demographic alone to increase their intake of apprentices and trainees.

CCIQ's comment is that Queensland's small business community stands ready to also assist in providing our State's youth an entry into the workforce, if only offered incentive to do so.

Supporting measures

CCIQ considers that the State Government has an the opportunity to make meaningful change to apprentice, trainee and cadet commencement numbers through the implementation of additional initiatives that are accessible to all Queensland businesses.

CCIQ encourages the State Government to additionally introduce policies that complement the rebate, while benefiting the 97 per cent of Queensland small businesses (403,000) that will not benefit from the rebate. In particular, CCIQ strongly supports the provision of incentive payments to employers to encourage them to take on an additional apprentice, trainee or cadet. This could encompass a one off incentive payment on completion, or staged incentive payments from commencement through to completion. While Government funding is not a core driver of training investment by businesses, it is undoubtedly an important influence that provides incentive for businesses to take the leap of faith to put on an apprentice, trainee or cadet.

Continuation of subsidised training is also strongly supported, as it provides individuals with the opportunity to obtain an entry level certification that will help them to enter the workforce and make a meaningful contribution to Queensland's economy.

Committee process

CCIQ is eager to assist the State Government in improving apprentice and trainee commencements, and in turn tackling high youth unemployment. As such, CCIQ would be pleased to meet with the Committee to provide further insight on small business perspectives in relation to apprentices if required. CCIQ has previously participated in the Industry Partnerships Assessment Panel and Community Learning Assessment Panel, and has a dedicated education and training advisor supported by funding provided by the Australian Government Department of Industry.

Please do not hesitate to contact me should you wish to discuss this submission further.

Yours sincerely,



Nick Behrens

Director- Advocacy and Workplace Relations