



## **FREQUENTLY ASKED QUESTIONS GROWING OUR SKILLS BASE:**

# **APPRENTICE INCENTIVE SCHEME PREMIUM EXEMPTION FOR EMPLOYERS OF APPRENTICES**

### **WHY WAS THE *GROWING OUR SKILLS BASE*: APPRENTICE INCENTIVE SCHEME INTRODUCED?**

The apprentice incentive scheme is available to New South Wales employers of apprentices. It aims to:

- grow the State's skill base;
- encourage employers to hire apprentices; and
- improve workers compensation outcomes over time, because trained workers are less likely to be injured at work.

### **WHEN DID THE *GROWING OUR SKILLS BASE*: APPRENTICE INCENTIVE SCHEME START?**

The scheme commenced 31 December 2006 and applies to new or renewed policies commencing on or after this date.

### **I AM THINKING ABOUT EMPLOYING AN APPRENTICE. WHERE DO I START?**

NSW Department of Education and Training (NSW DET) operate State Training Centres (STCs) in NSW to support employers and their apprentices.

Customer service staff and training advisors at your local STC can answer questions about apprenticeships, phone 13 28 11. (You can also phone the New Apprenticeships Referral Line on 1800 639 629).

The Department of Education and Training website [www.det.nsw.edu.au](http://www.det.nsw.edu.au) also has information regarding apprenticeships.

For a full guide on apprenticeships go to the Department of Education and Training website at <http://apprenticeship.det.nsw.edu.au/docs/fullguide.pdf>.

For information about workers compensation contact the WorkCover Assistance Service on phone 13 10 50.

### **HOW DO I GET THE APPRENTICE PREMIUM EXEMPTION?**

To be eligible for the apprentice premium exemption you must:

- have a valid workers compensation policy and
- have entered into a NSW Department of Education and Training (NSW DET) approved 'Training Contract' with the apprentice in a designated trade vocation. The apprentice must be identified in the training contract.

From 31 December 2006, when you renew your workers compensation policy your Scheme Agent will require you to complete the wage declaration forms as usual.

These forms are being updated to allow you to provide details about the apprentices you employ for the purpose of obtaining the apprentice premium exemption. Required information will include the

amount of wages you pay your apprentice(s) and the WorkCover Industry Classifications (WIC) that apply to your apprentice(s).

When these details are provided your Scheme Agent will automatically calculate your premium exemption when calculating your premium, but when you receive this benefit will depend on when your policy is renewed in the first year.

### **WHEN DO I GET THE APPRENTICE PREMIUM EXEMPTION?**

For policies commenced or renewed between 31 December 2006 and 30 December 2007, the apprentice premium exemption will be deducted from your final premium. The final premium (called the hindsight premium) is calculated by your Scheme Agent at the end of the policy period using the actual amount of wages paid during the policy period. Your Scheme Agent will rebate any credit owing to you as a result of this adjustment.

For policies commenced or renewed on or after 31 December 2007, the apprentice premium exemption will be applied to your premium at the start of the policy period.

This means that the premium exemption will reduce your initial invoiced premium. The exemption will be applied again when your final premium is calculated at the end of the policy period.

### **WHY DO I HAVE TO WAIT UNTIL THE HINDSIGHT ADJUSTMENT TO GET THE APPRENTICE EXEMPTION IN THE FIRST YEAR?**

The introduction of the apprentice incentive scheme involves significant technology changes to information systems across all of the seven Scheme Agents. These changes generally cannot be achieved and tested to ensure accuracy before 31 December 2007.

Note: Scheme Agents may provide the apprentice exemption adjustment on the initial premium in the first year, if their systems are ready, however, there is no requirement to do so until the second year of operation of the scheme.

So that employers can still benefit from the apprentice incentive scheme during the first year, the exemption will be made available when the hindsight premium is calculated. Although the full premium will need to be paid with the initial premium in the first year, your Scheme Agent will rebate any credit owing to you with the hindsight adjustment at the end of the policy period.

### **CAN I GET THE EXEMPTION FOR AN APPRENTICE I CURRENTLY EMPLOY?**

Yes, but the apprentice incentive scheme only applies to NSW workers compensation policies that commence or are renewed on or after 31 December 2006. The exemption therefore will take effect from the next renewal period for your policy on or after that date. For example:

- An employer with current apprentices who holds a policy that renews on 30 November will not be eligible for the apprentice exemption adjustment until renewal period 30 November 2007–30 November 2008. The adjustment will be applied at the hindsight calculation at the end of the policy period.
- An employer with apprentices who holds a policy that renewed 1 February 2007 will have the apprentice exemption adjustment applied at the hindsight calculation for the period 1 February 2007–1 February 2008.

From 31 December 2007 the apprentice premium exemption will apply to your policy at renewal so long as you fulfil the requirements (refer to 'How Do I Get the Apprentice Premium Exemption' and 'When Do I Get the Apprentice Premium Exemption?' above).

### **DO I STILL NEED TO DECLARE WAGES FOR MY APPRENTICES/S?**

Yes, when renewing or obtaining a new workers compensation policy commencing on or after 31 December 2006 you will be required to state the amount of wages you pay your apprentice(s) separately from wages paid to other workers, on the wage estimate and declaration forms. This will allow your Scheme Agent to calculate your premium exemption.

You will need to retain your apprentice wages records, as well as your Apprentice Training Contract and letter from the Department of Education and Training advising that the application for the training contract has been approved. These documents will need to be produced in the event of a wage audit. As part of its regular audit program WorkCover will be confirming appropriate use of the apprentice incentive scheme. WorkCover, through its Scheme Agents, conducts audits to ensure that employers are paying the appropriate premium, no more, no less.

### **DOES THE EXEMPTION APPLY TO DEPARTMENT OF EDUCATION AND TRAINING (DET) RECOGNISED TRAINEESHIPS?**

No. The apprentice exemption scheme applies only to apprenticeships in recognised trade vocations as designated by the Commissioner for Vocational Training under the Apprenticeship and Traineeship Act 2001.

### **DOES THE EXEMPTION APPLY TO TRAINEE APPRENTICES?**

Yes. So long as the trainee apprentice is undertaking an apprenticeship in a trade vocation approved by the NSW Department of Education and Training, you may claim the exemption. You should check to see if the apprenticeship is on the Department of Education and Training 'list of apprenticeships' and that the training contract is approved by the Department of Education and Training - if these and any other conditions are met, the exemption may apply.

As the *Apprenticeship and Traineeship Act 2001* defines a 'trainee apprenticeship' as an apprenticeship under which the employer does not undertake to employ the apprentice for the whole of the term of the apprenticeship, you should only claim the exemption for those periods that you employ the apprentice.

### **HOW WILL THE APPRENTICE INCENTIVE SCHEME AFFECT MY PREMIUM?**

#### **For small employers:**

For new or renewed policies commencing on or after 31 December 2006, the wages you pay to an apprentice will no longer be used to assess your premium.

The amount of premium saved will vary depending on the number of apprentices employed, the apprentice's wage rate, and the employer's WorkCover Industry Classification (WIC).

Examples:

- A first year junior apprentice carpenter working in the house construction industry earning \$17,128 with a tariff rate of 6.363 percent (house construction WIC) - the premium savings would be \$1,089.91.
- A fourth year junior apprentice in the same industry earning \$31,600.40 - the premium savings would be \$2,010.73.
- A first year junior apprentice working as a hairdresser earning \$12,845.56 with a tariff rate of 2.223 percent (hairdresser WIC) - the premium savings would be \$285.56.

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- A fourth year junior apprentice in the same industry earning \$26,843 - the premium savings would be \$596.73.

### **For medium and large employers:**

(those whose basic tariff premiums are more than \$10,000 with wages greater than \$300,000)

For medium and larger employers, the claims costs associated with any apprentice injured at work will still be used when calculating the experience adjustment premium. Therefore, an employer's premium can be further reduced if their claims experience is better than their industry average.

Importantly, this retains the incentive for employers to practice good workplace safety and injury management. A good safety record leads to lower premiums.

### **Examples:**

- A large employer with good claims experience employing 90 apprentices out of a total of 215 workers currently pays an experience-adjusted premium of \$177,510. With the apprentice premium exemption, this employer's premium savings would be \$125,081.
- Another large employer with poor claims experience with apprentices making up nearly half of their workforce currently pays an experience-adjusted premium of \$598,404. With the apprentice premium exemption, this employer's premium savings will be \$214,277. Improved claims experience would greatly improve their premium savings.

### **MINIMUM PREMIUM PAYABLE**

Note that for small, medium and large employers, an employer's final workers compensation premium payable cannot be less than the minimum premium payable, currently \$175. For example, where a business only engages apprentices and no other workers, a workers compensation policy will still be required at a cost of \$175, which is the current minimum premium payable.

### **Disclaimer**

This publication contains information regarding occupational health, safety, injury management or workers compensation. It includes some of your obligations under the various workers compensation and occupational health and safety legislation that WorkCover NSW administers. To ensure you comply with your legal obligations you must refer to the appropriate Acts. This publication may refer to WorkCover NSW administered legislation that has been amended or repealed. When reading this publication you should always refer to the latest laws. Information on the latest laws can be checked at [www.legislation.nsw.gov.au](http://www.legislation.nsw.gov.au) or contact 1300 656 986.



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