

Apprentice Incentive Scheme

Premium reduction for employers of apprentices

Why was the Apprentice Incentive Scheme introduced?

The Apprentice Incentive Scheme is available to NSW employers of apprentices and aims to:

- grow the state's skill base
- encourage employers to hire apprentices
- improve workers insurance outcomes over time because trained workers are less likely to be injured at work.

When did the Apprentice Incentive Scheme start?

The Apprentice Incentive Scheme commenced on 31 December 2006 and applies to new or renewed policies commencing on or after that date.

I am thinking about employing an apprentice. Where do I start?

A comprehensive guide on apprenticeships in NSW is available at training.nsw.gov.au

For information about the Apprentice Incentive Scheme and other workers insurance matters, contact icare on 13 44 22.

How and when do I get the apprentice incentive premium reduction?

To be eligible for the apprentice premium reduction you must:

- have a valid workers insurance policy
- have entered into a 'training contract' approved by Training Services NSW with the apprentice in a designated trade vocation. The apprentice must be identified in the training contract.

Medium and large employers – at renewal icare will calculate the apprentice discount based on apprentice wages in the last policy period. At hindsight the discount will be applied based on your wages declaration.

Small employers – at renewal apprentice wages will be automatically removed unless the employer contacts icare and advises the details prior to renewal. At hindsight the discount will be applied based on your wages declaration.

How is the Apprentice Incentive calculated?

All employers with apprentices are entitled to a workers insurance premium discount based on the wages paid to their apprentices. The amount of premium saved will vary depending on the number of apprentices employed, the apprentice's wage rate, and the employer's workers compensation industry (WIC) rate.

The incentive is calculated by multiplying the annual apprentice wages by the applicable industry rate. For example, if apprentice wages are \$25,000 and the WIC rate is 2.89%, the apprentice incentive discount will be \$722.50.

Do I need to declare wages for my apprentice(s)?

Yes. The wages declaration forms provides space for details about the apprentices you employ including their wages and Workers Compensation Industry Classifications (WICs).

Does the reduction apply to Training Services NSW recognised traineeships?

No. The Apprentice Incentive Scheme applies only to apprenticeships in recognised trade vocations as designated by the Commissioner for vocational training under the *Apprenticeship and Traineeship Act 2001* (AT Act).

Does the reduction apply to trainee apprentices?

Yes. So long as the trainee apprentice is undertaking an apprenticeship in a trade vocation approved by Training Services NSW.

You should check to see if the training contract is Training Services NSW approved and the apprenticeship is listed as such on the Training Services NSW website.

As the AT Act 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 reduction for those periods that you employ the apprentice.

How will the Apprentice Incentive Scheme affect my premium?

For small employers (APP of \$30,000 or less)

Small employers with apprentices will receive a discount on their premium based on apprentice wages and the employer's WIC rate.

For example:

- A second year apprentice carpenter working in house construction earning \$28,500 p.a. with a tariff rate of 3.78 per cent (House Construction WIC) — the premium savings would be \$1,077.30.
- A junior apprentice hairdresser earning \$20,500 p.a. with a tariff rate of 1.29 per cent (Hairdressing and Beauty Salons WIC) — the premium savings would be \$264.45.

For medium and large employers (APP more than \$30,000)

For medium and large employers, the claims costs associated with an apprentice injured at work will still be used when calculating the experience adjustment premium.

Importantly, the premium retains the incentive discount for employers to practice good workplace safety, injury management and return to work. A good safety record leads to lower premiums. For example:

- A large employer in residential building construction (WIC rate 3.97%) has wages of \$15,000,000 p.a., 20 per cent of which is apprentice wages. The employer has \$45,000 of claims costs and pays an estimate experience-adjusted premium of \$345,675 saving \$119,100 under the Apprentice Incentive Scheme. However, better injury prevention and claims management would greatly improve the premium payable.

What is the minimum premium payable?

For all employers, the final workers insurance premium payable cannot be less than the minimum premium payable, currently \$175, even if the apprentice incentive and other premium adjustments total less than the minimum premium.

Am I required to keep apprentice wage records?

You will need to retain your apprentice wages records, as well as your apprentice training contract and letter from Training Services NSW 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.

How long do I need to keep apprentice records?

It is a requirement for employers to retain details of apprenticeships and apprentice wages for the same period they are required to keep wage records under section 174 (2) of the *Workers Compensation Act 1987*. Under section 174 (2), employers are required to retain wage records in good order and condition for at least five years.