



Policy costing

150,000 apprenticeship incentives	
Party:	Australian Labor Party
<p>Summary of proposal:</p> <p>This proposal would amend the <i>Additional Identified Skills Shortage Payment</i> component in the 2019-20 Budget measure <i>Skills Package – delivering skills for today and tomorrow</i> by increasing the number of apprenticeships supported by the measure by 70,000 over three years, with:</p> <ul style="list-style-type: none">• 20,000 additional apprenticeships supported in 2021• 20,000 additional apprenticeships supported in 2022• 30,000 additional apprenticeships supported in 2023. <p>Consistent with the 2019-20 Budget measure, this payment would provide additional incentives to employers and apprentices in occupations experiencing national skills shortages, as follows.</p> <ul style="list-style-type: none">• Eligible employers would be provided a payment of \$2,000 12 months following the commencement of an apprenticeship, and a payment of \$2,000 at the completion of an apprenticeship.• Eligible apprentices would be provided a payment of \$1,000 12 months following the commencement of an apprenticeship, and a payment of \$1,000 at the completion of an apprenticeship. <p>These payments would be in addition to employer incentive payments of \$1,500 upon commencement of an apprenticeship and \$2,500 upon completion of an apprenticeship that are currently available under the Australian Apprenticeships Incentives Programme.</p> <p>The proposal would have effect from 1 January 2021.</p>	

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by \$126 million over the 2019-20 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

Beyond the 2019-20 Budget forward estimates, the proposal would be expected to have an impact over the period from 2023-24 to 2027-28, as the average duration of apprenticeships is assumed to be three years. The financial implications of the proposal over the period from 2019-20 to 2029-30 are provided at [Attachment A](#).

The estimated financial implications of this proposal are sensitive to a number of factors, particularly the responses of apprentices and employers to the proposal. In particular, there are significant uncertainties around the share of apprentices who would shift their apprenticeship into an eligible field as a result of the additional incentives, and around the impact of the proposal on apprenticeship completion rates over the costing horizon.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-	-11	-43	-73	-126
Underlying cash balance	-	-11	-43	-73	-126

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing the proposal.

- Any enabling legislation would be passed before the commencement of the proposal.
- The average duration of apprenticeships would be three years from commencement to completion.
- The number of apprentices supported would be capped at the specified level for each year of the proposal and all places would be taken up.
- All apprentices would start their apprenticeship in January of each year.
- Seventy-eight per cent of apprentices would complete the first year of their apprenticeship and 60 per cent of apprentices would complete their apprenticeship.
 - This assumes some increase relative to current rates, given the financial incentives to complete apprenticeships under the proposal.
- One-quarter of the specified apprenticeship places would be filled by apprentices who would have otherwise commenced an apprenticeship in an area not experiencing a skills shortage.
- Three-quarters of the specified apprenticeships would be new commencements.
 - There are likely to be flow-on impacts as a result of the assumed new apprenticeship commencements (for example increased trade support loans take-up and reduced Newstart Allowance payments). Consistent with the methodology used to model the 2019-20 Budget measure *Skills Package – delivering skills for today and tomorrow – Additional Identified Skills Shortage Payment*, these impacts have not been included in this costing.
- An allowance has been included in this costing for payments made to the Australian Apprenticeships Support Network to support the increased number of apprenticeships.
- All apprentices filling the additional places, and 95 per cent of employers hiring apprentices filling the additional places, would claim the incentive payments provided.

- This factors in a small increase for employers given the larger incentives under the *Additional Identified Skills Shortage Payment* relative to existing incentives.
- There would be no departmental expenses associated with the proposal as it is an extension of the existing Australian Apprenticeships Incentives Programme.

Methodology

The value of payments made under this proposal was calculated by multiplying the specified number of recipients at each of the payment intervals by the respective specified payment amounts.

All estimates have been rounded to the nearest \$1 million.

Data sources

The Department of Education and Training provided the estimates model for the 2019-20 Budget measure *Skills Package – delivering skills for today and tomorrow – Additional Identified Skills Shortage Payment*.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Budget Fact sheet: Delivering Skills for Today and Tomorrow*. [Online] Available at:

https://budget.gov.au/2019-20/content/factsheets/skills_package.htm [Accessed 03.04.2019].

Department of Education and Training, 2019. *Portfolio Budget Statements 2019-20*. [Online] Available at

https://docs.education.gov.au/system/files/doc/other/education_and_training_portfolio_budget_statements_2019-20.docx [Accessed 04.04.2019].

Department of Education and Training, 2019. *Skills and Training Budget Overview 2019-20*. [Online]

Available at: <https://www.education.gov.au/skills-and-training-budget-overview-2019-20> [Accessed 04.04.2019].

Attachment A – 150,000 apprenticeship incentives – financial implications

Table A1: 150,000 apprenticeship incentives – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019– 20	2020– 21	2021– 22	2022– 23	2023– 24	2024– 25	2025– 26	2026– 27	2027– 28	2028– 29	2029– 30	Total to 2022–23	Total to 2029–30
Total – administered expenses	-	-11	-43	-73	-100	-92	-72	-47	-7	-	-	-126	-444

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.