



## Workers Compensation Legislation Amendment (Trainees)

Bill.

### Second Reading

**The Hon. MICHAEL EGAN** (Treasurer, Minister for State Development, and Vice-President of the Executive Council) [8.08 p.m.]: I move:

That this bill be now read a second time.

This bill gives effect to a measure I announced in my Budget Speech earlier this year. That is why I am dealing with the bill instead of my esteemed Assistant Treasurer.

**Reverend the Hon. Fred Nile:** And so you should.

**The Hon. MICHAEL EGAN:** Yes. From 1 January next year, employers taking on trainees will be required to pay their workers compensation premiums, just as employers of apprentices already do. The New South Wales Government has paid the workers compensation premiums of trainees since 1989. After remaining static for years, the number of trainees in New South Wales rose dramatically from 1997, nearly quadrupling to 56,000 since then. The cost of premiums met by the Government has risen from \$4 million in 1997-98 to a projected \$47 million in the current financial year. Actuarial advice indicates that the cost of the scheme will continue to rise to more than \$70 million a year.

Not only is the scheme becoming unaffordable, it is fundamentally flawed because it removes from employers an important financial incentive to maintain workplace safety. Employers who do not pay workers compensation premiums are quarantined from the financial consequences of injuries to their staff. The evidence shows that large numbers of employers do not care if their staff are injured, provided they do not have to pay.

A recent report by PricewaterhouseCoopers found that the rate of workplace injuries among trainees has risen by 65 per cent since 1997-98. That is not a 65 per cent increase in the absolute number of injuries; it is a 65 per cent increase in the number of injuries for every 1,000 trainees. What is worse, the rate of serious injuries to trainees has more than doubled in four years. At the same time, the rate of injuries among the general work force fell by more than 10 per cent.

WorkCover analysis of one large company's claims shows that the injury rate for trainees was more than double that for other staff. As long as employers are protected from the financial consequences of inaction on safety, these problems will continue, and quite possibly worsen. The incentive is also open to abuse, with some employers enrolling existing employees—and in some cases long-term employees—as new trainees. One company claimed its entire existing staff as trainees. Some of them had been on the company's payroll for up to 20 years.

Some people have argued that if employers have to pay trainees' workers compensation premiums they will offer fewer traineeships. This argument falls down when it is appreciated that incentives remain for employers to take on genuine trainees. For example, employers get access to training wage rates, exemptions from payroll tax, Federal subsidies of up to \$3,300 for each trainee and State and Federal Government support for training provided by registered training organisations.

The State Government will continue to provide travel and accommodation subsidies to trainees and apprentices who are required to travel more than 120 kilometres to attend training. Last year this cost \$2.6 million. Trainees and apprentices will also continue to receive public transport concessions. Employers taking on new trainees will be required to pay their workers compensation premiums from 1 January 2004. This will put trainees and apprentices—for whom employers already pay workers compensation—on exactly the same footing.

As a transitional measure the Government will continue to pay the premiums of existing trainees until 31 December 2004. I might point out that Victoria is the only other State providing a concession—and it is very limited—and Victoria also applies payroll tax to trainees. I commend the bill to the House.

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