

## **FIRST REVIEW OF THE WORKERS COMPENSATION SCHEME**

**Organisation:** Group Training Association of NSW & ACT  
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Group Training  
Association  
of NSW & ACT

30-32 Pomeroy St  
Homebush NSW 2140  
Ph: (02) 9746 9333  
Fax: (02) 9746 9444  
Email: [info@gtana.com.au](mailto:info@gtana.com.au)  
ABN: 70 804 220 638

The Hon Shayne Mallard MLC  
Chairperson  
Standing Committee on Law and Justice

**Submission: Review of the workers compensation scheme 2016**

The Group Training Association of NSW & ACT represents not for profit Group Training Organisations in New South Wales. We welcome the opportunity to make this submission to the Standing Committee on Law and Justice as it provides the opportunity to detail the specific impact the change to the Workers Compensation Scheme is having on the Group Training industry.

**Background to Group Training**

Group Training was born of a partnership between industry and government more than 35 years ago. Many Industry Associations established Group Training arms as not-for-profit entities to support small and medium-sized businesses. The goal was to train apprentices to ensure a steady stream of skilled tradespeople to a growing NSW economy and avoid future skill shortages.

Group Training Organisations (GTOs) in NSW have worked with local communities and industries to match young people with meaningful work. We have seen the rewards of quality training for individuals and businesses. We are committed to continuing to help address the dual challenges of skills shortages and high youth unemployment which occur throughout the state.

The combination of on-and-off the job training provided through apprenticeships and traineeships provide the best foundation for skills development.

Group Training is an employment and training scheme recognised by the Apprenticeship and Traineeship Act 2001. In NSW there are more than 7500 apprentices and trainees employed by GTOs in trades vital to the NSW economy, such as electrical, plumbing, building and construction, metals and engineering, and the automotive industry. More young people are employed as apprentices and trainees through a GTO than through any other single employer or employer network.

As the legal employer, the GTOs are responsible for wages, work health and safety, insurance, awards and ensuring apprentices, trainees and host employers have the support they need. We are the intermediaries between the complicated training system and small to medium enterprises, providing support for both employers and their hosted apprentices and trainees through cost-effective mentoring and pastoral care.

More than 100,000 apprentices and trainees in New South Wales have successfully completed their qualification with the assistance of group training.

### **Group Training Issues with the current Workers Compensation Scheme**

The Group Training Industry has been negatively impacted with the way Workers Compensation is now calculated in NSW. The formula disadvantages the industry.

For Group Training Organisations the formula works in the following manner:

1. Calculates a base premium from a wages estimate weighted by occupational risk
2. Applies a rebate for apprentices
3. Introduces claims history data for the prior three years
4. Considers the cost of claims (as a percentage of the premium) and compares this percentage to the scheme average
5. Multiplies the base premium within a cap of up to 3.5
6. Adds the components together, including some levies, and issues the premium

The net effect of which is to create a significant surplus of costs in excess of actual claims costs.

The following table provides an interesting insight into the practical application of this formula when comparing the actual cost of claims to the premium being charged. The table below shows actual figures for three mid-sized NSW based GTOs.

	ATC	HTN	MPAL
Cost of Premium 15/16	\$242K	\$320k	\$207k
Av. 3yr claim costs	\$47k	\$44k	\$91k
Cost in excess of claims	\$195k	\$276k	\$116k

Our review of GTO policy estimates for 2015/16 shows that GTOs are being paying at least twice the cost of the base premium.

GTOs commercial and operational imperative is the commencement, retention and completion of Apprentices. Unique to the GTO sector is the fact that the business model creates a disproportionate weighting of apprentices and trainees as a percentage of total work force.

*For example a GTO who employs 300 apprentices may have a staff of 30 - 45 employees or 85% - 90% of employees are Apprentices or Trainees.*

The cost burden being imposed on GTOs through this premium, notified some eight months into the 2015-16 financial year, left the industry little option other than to review costs and reduce services – the NET effect is and will continue to be **a reduction in the number of apprentices/trainees in NSW**

The Current Workers Compensation Scheme unfairly disadvantages GTOs as it:

- Fails to support the employment of apprentices by ensuring that premiums are inflated, while cynically espousing a rebate.
- Fails to acknowledge the aggregation and management of risks by GTOs.

- Safe Work NSW acknowledges that apprentices have higher rates of accident and injuries than other employees due to their age and relatively low levels of experience.
- At a recent meeting with SIRA, they acknowledged GTOs over report injuries compared to other industry norms. SIRA also confirmed GTOs make a large amount of minor claims where typically small business would not report.

Clearly, GTOs have a business imperative to seek early returns to work for all in injured apprentices (as injured workers are not being hosted)

Given this acknowledgement it is counter intuitive to multiple the costs of premiums based on these claims.

The indiscriminate application of this formula also sees GTOs further disadvantaged in that low risk employees (clerks, front of office etc) have the multiplier attached to their base charges. *By way of explanation - a building and construction apprentice incurs an injury which multiplies the cost of a business admin trainee by up to 3.5 times the base charge.*

This unfortunate scenario is exacerbated by the marketing of apprentices as attracting a workers compensation rebate.

### **Support for Group Training Nationally**

GTOs are recognised differently across all states in Australia when workers compensation premiums are calculated. NSW is by far the worst in relation to costs and benefits.

GTA NSW & ACT has been working with the Office of the NSW Small Business Commissioner on our issue. They have conducted an internal review into the benefits and services provided to GTOs in each state around Workers Compensation. This report is being finalised and is to be presented to the Minister for Small Business, Skills and Regional Development, The Hon. John Barilaro.

GTOs in other states are provided various benefits including:

- Full workers compensation coverage for all apprentices and trainees (Victoria)
- A separate WIC code for the Group Training industry instead of being measured against each occupation (Queensland)

### **Change**

We are seeking changes to the way Workers Compensation is calculated for the Group Training Industry to address the punitive result of this change for many GTO's. We would request the standing committee consider the benefits the industry provides and make recommendations to ensure we can continue to provide the State of NSW a valuable service in upskilling the next generation of skilled workers.

Due to the nature of our business individual GTOs employ the highest proportion of Australia Apprentices to Total Employees of any employer within NSW. For this reason we suggest the following to assist the industry:

- 1. Ensure the Apprenticeship rebate remains with the Workers Compensation Scheme calculations**

- 2. GTOs cost of claims be excluded from the calculations of premiums**
- 3. GTOs would consider meeting the first two weeks of wages for all claims. In effect creating an insurance excess for our industry.**

Group Training provides a safety net and flexibility for both the apprentice and host employer over the apprenticeship period (in many cases up to 4 years). In difficult economic times GTOs have kept apprentices in work and training, made sure they can attend training and guaranteed their wages. Group Training ensures the steady supply of apprentices through economic peaks and troughs protecting the investment of taxpayer dollars.

The question we ask is what value does the government place on Apprenticeships and Traineeships through GTOs if the cost to employ keeps increasing significantly.

The Group Training Association of NSW & ACT thanks the Standing Committee on Law and Justice for the opportunity to comment on the review of the Workers Compensation Scheme. We look forward to further consultations in the future and the outcomes of this review.

Members of the Group Training Association of NSW & ACT include:

Aboriginal Employment Strategy	AI Group Trainees & Apprentices	ATEL
Australian Training Company	CCGT	Electrogroup
GTES	HTN	HVTC
Master Builders NSW	Master Plumbers	MEGT
METL	MIGAS	MTA Apprenticeships Plus
MG MyGateway	NECA	Novaskill
Skillset	1300Apprentice	TABMA
WPC Group		

Yours Sincerely

Jason Sultana  
Executive Officer  
The Group Training Association of NSW & ACT Inc  
23rd September 2016