



PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

Referred by: Australian Labor Party **Proposal No:** C1451
Date Referred: 16/03/2023 **Date Published:** 20/03/2023
Proposal Title: NSW Labor will hire 1,000 apprentices and trainees
Cluster: Whole of Government

General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	-	-	-	-

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	-	-	-	-
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Total State Sector Impacts

Net Lending/(Borrowing):	-	-	-	-	-
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Notes and costing assumptions:

The proposal is to employ an additional 1,000 apprentices and trainees in Government departments and agencies over three years, on top of existing hiring plans. Half will be employed in the General Government (GG) sector and half will be employed in Public Non-Financial Corporations (PNFCs) and State-Owned Corporations (SOC).

The PBO has estimated the cost of this proposal to be \$94 million (calculations are listed below). The proposal states it will be funded from the Future Economy Fund (FEF). The PBO has been advised there are sufficient uncommitted funds in the FEF to support this program.

The Budget currently includes planned expenses of \$440 million, drawn from the FEF in the four years to 2025-26. As at 16 March 2023, there is \$187 million of expenses allocated, but not legally committed and not all have been announced. Additional announcements and legal commitments are expected before 1 April 2023. However the PBO considers it feasible that these funds can be reallocated for this policy.

Assuming this reallocation of budgeted expenses occurs, the proposal to spend \$94 million on apprentices and trainees would have no budget impact.

Notes and costing assumptions continued:

The FEF was set up to target the end-to-end stages of business growth including research and development, commercialisation, industry growth, investment attraction, and maturity. The PBO notes that the targets of the FEF may need to be changed to carry out this proposal.

Assumptions

- The PBO assumes equal numbers of apprentices and trainees are hired.
- The proposal states new hires remain employed for three years.
- The proposal states that numbers hired each year are 200, 400 and 400.
- The proposal states half the new hires will be employed in the GG sector and half in PNFCs and State-Owned Corporations (SOC).
- The PBO calculates estimates of worker annual pay based on the Crown Employees (Public Sector - Salaries 2022) Award.

Notes

The Government would need to provide a direction to a PNFC to hire additional employees that it was not already planning to hire. Where such a direction is made, the Government would need to provide compensation for the additional expense.² Although the additional employee expense would occur outside the GG sector, there would need to be an equal grant expense provided from the GG sector to the PNFC sector.

Therefore, the expenses of employing the apprentices and trainees will be a GG sector expense regardless of whether they are employed in the GG sector, PNFCs or State-Owned Corporations.

There is a wide range of pay rates for apprentices and trainees. Different classes of trainees have a particularly wide range of pay rates. As an example, if all trainees are school leavers employed on the Public Service Training Wage, the cost of the policy would fall by around 34 per cent.

Estimation Methodology

Data on pay rates drawn from the NSW public sector salaries award.

Assumed apprentice pay rates are the averages, for successive apprentice years, of the award rates for:

- Department of Industry, Skills and Regional Development, Domestic Services Officers – apprentice cook
- Department of Industry – operational staff – apprentices
- Parks and Gardens – horticultural apprentices
- Taronga – horticultural apprentices

Assumed trainee rates are the averages, for successive years of employment, of the award rates for:

- Trainee multi-skilled sound reporter
- NSW Police Force trainee communications officer
- NPWS trainee ranger
- Public Service Training Wage – skill levels A, B and C, various years out of school
- Taronga – trainee keeper
- Public service trainee computer operator
- Trainee Technical Officer (Scientific)
- Cadets/Trainees Water Resources

¹ NSW Government, *NSW Budget 2022-23, No.01 Budget Statement Budget Paper*, https://www.budget.nsw.gov.au/sites/default/files/2022-06/2022-23_03_Budget-Paper-No-1-Budget-Statement.pdf, p 1.14.

² The *State Owned Corporations Act 1989 (No 134)* (NSW) pt 3 div 2 s 20N(3) requires the Government to make such reimbursement.

Notes and costing assumptions continued:

Average pay rates are calculated separately for apprentices and trainees, and then the average of these two pay rates is used as the basis of further calculations.

Assumed average pay rates in 2022-23 dollars (A).³

	Annual pay	plus super, overtime etc
1st year	38,262	44,394
2nd year	43,940	50,982
3rd year	49,947	57,951

Assumed staff numbers (B)

	2023-24	2024-25	2025-26
1st year	200	400	400
2nd year		200	400
3rd year			200
Total	200	600	1000

Unescalated costs (A x B)

	2023-24	2024-25	2025-26
1st year	8,878,740	17,757,480	17,757,480
2nd year		10,196,310	20,392,619
3rd year			11,590,147
Total	8,878,740	27,953,789	49,740,246

Wage costs escalated in line with wages policy (3% growth in 2023-24, then 2.5% then 2.5%) and super guarantee (11% in 2023-24, 11.5% in 2024-25, and 12% in 2025-26)

	2023-24	2024-25	2025-26
	9,186,483	29,779,292	54,556,767

³ The third column in this table includes superannuation of 10.5% and an additional allowance of 5% for overtime or other overheads.