

### Cost increases flowing from the introduction of adult apprentice wages

Simply comparing adult apprentice wages to junior apprentice wages under the *Building and Construction General On-Site Award 2010*, the introduction of adult apprentice wages has led to comparative cost increases (at 1 July 2011) of around approximately \$13,500, \$10,000 and \$2800 per year over the first 3 years, with no cost increase in the 4<sup>th</sup> year (as 4<sup>th</sup> year junior apprentice rates under clause 19.7(e) are higher than CW1/ECW1 (level a) base rates under clause 19.1(a)). This is calculated as follows for a junior bricklaying apprentice (not taking into account transitional arrangements):

1. A CW1/ECW1 (level a) base rate under clause 19.1(a) (at 1 July 2011) is \$16.30 per hour, or \$619.40 per week, or \$32,208.80 per year.
2. A junior bricklaying apprentice rate under clause 19.7(e) (at 1 July 2011) is:
  - (1st year) \$9.40 per hour, or \$18,578.79 per year
  - (2nd year) \$11.23, or \$22,187.07 per year
  - (3rd year) and \$14.88, or \$29,403.63 per year
  - (4th year) \$17.62, or \$34,816.05 per year
3. These junior apprentice rates are calculated under clause 19.7(e) as a percentage of the standard rate (i.e. CW/ECW3 rates under clause 19.1(a)), plus the full industry allowance in clause 21.2, plus the tool allowance in clause 20.1, plus a percentage of the special allowance in clause 21.1:
  - E.g. for a 1<sup>st</sup> year bricklaying apprentice in a 4 year apprenticeship:  $\$308.79$  (45% x \$686.20) + \$25.39 (industry allowance – 3.7% x standard rate of \$686.20) + \$19.64 (tool allowance) + \$3.47 (45% x \$7.70 – special allowance) =  $\$357.29 / 38 = \$9.40$
4. The increases of approx. \$13,500, \$10,000 and \$2,800 per year over the first 3 years are calculated by subtracting the annual wages for junior apprentices above from the annual base rate for a CW1/ECW1 (level a) worker.
  - i.e.  $\$32,208.80 - \$18,578.79 = \$13,630.01$  (for the 1<sup>st</sup> year) etc.
5. Transitional arrangements at Schedule A effectively allow the initial difference (of \$13,500) to be phased over 5 years, so that the increases are experienced as increases of approx. \$2,700 per year between July 2010 and July 2014, plus minimum wage adjustments. Actual transitional examples are demonstrated over the page.

If the 'rate prescribed for the lowest paid classification in clause 19.1' is taken to include the allowances under clause 19.3 (i.e. the tool, industry and special allowances) then employers will potentially have to pay adult apprentices up to an additional \$60.80 per week, totalling a wage of \$680.18 rather than \$619.40 (not taking transitional arrangements into account), amounting to an additional \$3,161.60 per year. This can be calculated as follows:

- $\$27.69$  (the highest tool allowance – clause 20.1) + \$25.39 (industry allowance – 3.7% x standard rate of \$686.20 – clause 21.2) + \$7.70 (special allowance – clause 21.1) = \$60.78

Transitional amounts would allow the phasing of the \$3,161.60 increase over five years, i.e. at approx. \$632.30 per year. Actual transitional wages inclusive of allowances are shown below.

Some transitional calculations

For an adult carpentry apprentice in South Australia, who commenced a 4-year apprenticeship in January 2010, the pre-modern rate under the *National Building and Construction Industry Award 2010* (AP790741) as at 31 December 2009 was \$8.83 per hour (based on the Pay Scale Summary from 16 October 2008).

This is compared to the rate applicable to an adult carpentry apprentice under the *Building and Construction General On-Site Award 2010* as at 1 January 2010, which we say is the base rate for a CW/ECW1 (level a) worker (i.e. \$15.08) under clause 19.1(a).

This generates a transitional amount of: \$15.08 - \$8.83 = \$6.25

As the modern award rate is higher than the pre-modern award rate, decreasing percentages of \$6.25 are subtracted from the modern award rate (inclusive of the minimum wage adjustment) at 1 July in a given year, under clause A.2.5 of Schedule A. This is represented in the table below. Notional \$1 minimum wage increases have been added for future years.

This demonstrates real labour cost increases as follows:

- 1 July 2010: \$1.93 per hour (i.e. \$10.76 - \$8.83), or \$73.34 per week, or \$3,813.68 per year.
- 1 July 2011: \$1.79 per hour (i.e. \$12.55 - \$10.76), or \$68.02 per week, or \$3,537.04 per year.

<b>Transitional adult apprentice rates without allowances (clause 19.1(a))</b>					
<b>a</b>	Transitional instrument rate as at 31/12/09	\$8.83			
<b>b</b>	<i>On-Site Award</i> rate as at 01/01/10	\$15.08			
<b>c</b>	Transitional amount	\$6.25			
	Review Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13
<b>d</b>	Minimum Rates Adjustment (MRA)	\$0.68	\$0.54	\$1.00	\$1.00
<b>e</b>	<i>On-Site Award</i> Rate (incl MRA)	\$15.76	\$16.30	\$17.30	\$18.30
<b>f</b>	Proportion of the Transitional Amount	80.00%	60.00%	40.00%	20.00%
<b>g</b>	Applicable Transitional Amount	\$5.00	\$3.75	\$2.50	\$1.25
<b>h</b>	Rates Payable	\$10.76	\$12.55	\$14.80	\$17.05
					\$19.30
<b>Methodology</b> (clause A.2 of Schedule A of the <i>On-Site Award</i> )					
<b>a</b> = transitional instrument rate as expressed in most recent <i>Payscale Summary</i>					
<b>b</b> = rate per clause 19.1(a) of <i>On-Site Award</i> at 01/01/10					
<b>c</b> = absolute value (b - a)					
<b>d</b> = minimum rate increase to rates under clause 19.1(a) of <i>On-Site Award</i>					
<b>e</b> = modern award rate + d (calculated per clause 19.1(a) of <i>On-Site Award</i> )					
<b>f</b> = yearly proportions per clause A.2.5 of Schedule A					
<b>g</b> = f x c					
<b>h</b> = e - g					

If allowances are included under clause 19.3(b), adult carpentry apprentice rates at 1 January 2010 are \$16.58 per hour. This is the sum of the following amounts:

- \$573 (base rates for a CW/ECW1 (level a) worker under clause 19.1(a)) + \$23.59 (industry allowance – 3.7% x standard rate of \$637.60) + \$25.80 (tool allowance) + \$7.70 (special allowance) = \$630.09 / 38 = \$16.58

Compared to a junior apprentice rate of \$8.83 under *National Building and Construction Industry Award 2010* as at 31 December 2009, this generates a transitional amount of \$7.75.

Phasing \$7.75 under clause A.2.5 of Schedule A is demonstrated in the table below. It shows real labour cost increases as follows:

- 1 July 2010: \$2.29 per hour (i.e. \$11.12 - \$8.83), or \$87.02 per week, or \$4,525.04 per year.
- 1 July 2011: \$2.13 per hour (i.e. \$13.25 - \$11.12), or \$80.94 per week, or \$4,208.88 per year.

<b>Transitional adult apprentice rates with allowances (clause 19.3(b))</b>						
<b>a</b>	Transitional instrument rate as at 31/12/09	\$8.83				
<b>b</b>	<i>On-Site Award</i> rate as at 01/01/10	\$16.58				
<b>c</b>	Transitional amount	\$7.75				
	Review Date	1-Jul-10	1-Jul-11	1-Jul-12	1-Jul-13	1-Jul-14
<b>d</b>	Minimum Rates Adjustment (MRA)	\$0.74	\$0.58	\$1.00	\$1.00	\$1.00
<b>e</b>	<i>On-Site Award</i> Rate (incl MRA)	\$17.32	\$17.90	\$18.90	\$19.90	\$20.90
<b>f</b>	Proportion of the Transitional Amount	80.00%	60.00%	40.00%	20.00%	0.00%
<b>g</b>	Applicable Transitional Amount	\$6.20	\$4.65	\$3.10	\$1.55	\$0.00
<b>h</b>	Rates Payable	\$11.12	\$13.25	\$15.80	\$18.35	\$20.90
<b>Methodology</b> (clause A.2 of Schedule A of <i>On-Site Award</i> )						
<b>a</b> = transitional instrument rate as expressed in most recent <i>Payscale Summary</i>						
<b>b</b> = rate per clause 19.3(b) of <i>On-Site Award</i> at 01/01/10						
<b>c</b> = absolute value (b - a)						
<b>d</b> = minimum rate increase including adjustments to allowances under clause 19.3(b) of <i>On-Site Award</i>						
<b>e</b> = modern award rate + d (calculated per clause 19.3(b) of <i>On-Site Award</i> )						
<b>f</b> = yearly proportions per clause A.2.5 of Schedule A						
<b>g</b> = f x c						
<b>h</b> = e - g						

This above calculations show that the interpretation that the reference to the 'rate prescribed for the lowest paid classification in clause 19.1' (in clause 19.8(c)) refers to clause 19.3(b) rates, as opposed to clause 19.1(a) rates, would mean that there was an additional real labour cost increase (and contingent liability) of \$711.35 per year from 1 July 2010 and \$671.90 per year from 1 July 2011, calculated as follows, by subtracting the adult apprentice wage increase (with allowances) from the adult apprentice wage increase (without allowances):

- 1 July 2010: \$4,525.04 - \$3,813.68 = \$711.36 per year; and
- 1 July 2011: \$4,208.88 - \$3,537.04 = \$671.84 per year.