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Cuts to apprentice subsidies threatens skills pipeline

A reduction in apprentice and employer subsidies to some sectors will hit regional industries where skills shortages are already being experienced, Business Hunter said today.

The Federal Government this week announced changes to the Australian Apprenticeship Incentive System (AAIS) to come into effect from 1 January 2026. While the \$5,000 employer and \$10,000 apprentice subsidies have been maintained for the housing construction and new energy sectors, incentives have been halved in other priority sectors, including health care and community services, engineering, hospitality and automotive.

"We welcome the continuation of financial incentives for apprentices in the housing and new energy industries, but are concerned that cuts to other high-priority sectors will exacerbate existing skills shortages in our region," Mr Hawes said.

"More than half of businesses in the Hunter are having trouble accessing skilled labour, according to feedback to the Business NSW Business Conditions Survey.

"Health is our region's largest employer and skills like manufacturing, automotive and non-residential construction are critical to many of our dominant industries.

"Cutting incentives to \$2,500 for apprentices and employers on the Australian Apprenticeship Priority List – and continuing to exclude those outside it – also risks hurting sectors like hospitality and tourism.

"We know that financial incentives are important to maintaining a strong pipeline of apprentices, and with high costs of living biting and significant skills shortages continuing to be reported across many sectors, we don't think this is the time to be reducing subsidies."

Mr Hawes said the timing of the announcement, only a month from the new year, was also problematic, as many employers would have signed up new apprentices to start in early January, only to now find their anticipated subsidy reduced.

"We would hope this doesn't result in any new starts being cancelled, but it is certainly inconvenient and disappointing for both employers and employees involved, and may have an impact on future hiring decisions," he said.

Mr Hawes said the continuation of full subsidies in housing and new energy was needed to address national skills gaps and lift productivity in both key industries, but other sectors should not be left behind.

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