



12th May 2023

Select Committee on Cost of Living,
PO Box 6100,
Parliament House,
Canberra ACT 2600
costofliving.sen@aph.gov.au

Dear Committee members,

Re: Select Committee on Cost of Living

Master Builders Australia appreciates the opportunity to make a submission to the Select Committee on the Cost of Living.

Attached to this letter as an Appendix is our response to a set of 'On Notice' questions from Senator Jane Hume related to the inquiry. We originally provided this information to the Select Committee in March on 15th March this year.

By way of introducing ourselves, Master Builders Australia is the nation's peak building and construction industry association. We were established in 1890 through the federation of the Master Builders State and Territory Associations. Over our 130-year history, we have come to represent over 32,000 businesses nationwide and are the only association representing all sectors in the building and construction industry – residential, commercial, and civil construction.

Conditions in our industry directly influence Australia's cost of living

The overarching logic of our submission to the Select Committee on Cost of Living is this:

- The cost building and construction activity has a direct and major impact on the cost of living for Australian families.
- Taking action to reduce costs in our industry will result in more favourable cost of living outcomes for people in Australia - and deliver real improvements in living standards.
- Governments at all levels have the power to help reduce the cost of carrying out building and construction work.

Our industry creates the homes we live in, the workplaces where we're employed and the roads and railways we use to travel. This is why the performance of our industry has such a major influence on the cost of living. Higher building and construction costs have unfavourable impacts on the affordability of many aspects of day-to-day life. Of course, the flip side is that working to create better cost conditions in our industry would reap real benefits when it comes to the cost of living.

The vicious circle of housing affordability

Take housing, for example. About two thirds of Australian households either rent their homes or are in the process of repaying a mortgage. In both cases, housing costs generally eat up substantial portions of household income. This situation could be improved by allowing our industry to build new homes less expensively in the places where they are needed most. This would clearly help soothe the final cost of new homes for ordinary families. It would also contribute to better housing affordability conditions in market for established homes and make it less costly to provide additional accommodation to the rental market. Better housing affordability would have the added benefit of dampening wage pressures across the economy, enhancing the incentives for businesses to hire more workers and improving Australia's international competitiveness - to the benefit of both investment inward and exports outwards.

We welcome and acknowledge recent measures by federal, state and territory governments to deliver better housing policy outcomes. In addition to these, we believe that the following policy initiatives are worthy of consideration on the housing front:

- More Commonwealth and state/territory government land should be released for the development of housing. We urge the federal and state/territory governments to publish an inventory of their current land holdings and categorise it according to its suitability for future residential development.
- Current incentives around negative gearing and the CGT discount have the effect of dampening rental costs and expanding the supply of rental accommodation. Accordingly, they should remain in place.
- There is great potential for foreign investment to be leveraged in a way that expands the supply of new homes as well as the associated infrastructure. Accordingly, all of the special charges, tax and levies imposed upon foreign investors (mostly at state and territory level) should be waived for any transactions which support new home building activity or the supporting infrastructure.
- In future, financial payments from federal government to the states and territories should be linked to how much progress they achieve in boosting the supply of new housing. In particular, their performance with respect to planning reform, taxes and charges imposed on new home building, transparency, accountability and the improvement of data collection should be taken into account.



- The rollout of the Housing Australia Future Fund which is designed to create 30,000 new social and affordable homes over a 5-year period needs to be fast tracked.
- The ongoing redesignation of NHFIC as Housing Australia under whose remit the new National Housing Supply & Affordability Council will lie offers considerable potential with respect to addressing the undersupply of new housing and consequent affordability problems. We welcome the recent federal budget's increased resourcing of NHFIC and suggest that consideration be given to additional resourcing as required.
- Delivering an effective National Housing Plan that deals with the challenges in delivering affordable housing options for all Australians.
- Consideration should be given to measures to help expand the stock of new homes in regional areas so that migrant labour inflows can be accommodated more readily.
- Expand the size of Housing Future Fund capital investment from \$10 billion to \$20 billion.
- Introducing further tax incentives to address the gap between risk and return for major institutional investors.
- Commit all levels of government to redirect one per cent of development taxes and charges to social and affordable housing.

Meeting our industry's workforce and supply chain needs

Conditions in the building and construction industry also affect the final cost of projects outside of housing, including offices, schools, hospitals, universities, aged care facilities and others – all of which affect the cost of the everyday products and services bought by families. In the same way, our industry's performance had a heavy bearing on the final price tag for the vital infrastructure related to water, electricity, gas, waste, as well as road, rail, air and sea travel.

Ultimately, the final cost of building and construction projects depends on the resources used most heavily by our industry: labour, and building materials.

Latest data show that building product cost has been decelerating since mid-2022. However, the problem of labour shortages remains acute, and this is now seen as the biggest headache for the industry.

One of the main problems is that the construction industry has aged steadily with significant numbers of people lost to retirement each and every week. The only way to replace them is by attracting new entrants to work in our industry.

New entrants to our industry come in the form of apprentices and trainees. It is also possible for new migrants to Australia to meet some of the shortages in our industry. However, there are a number of problems which prevent us from getting enough new entrants to join our industry.



- A large proportion of construction apprentices do not complete their training.
- Female participation in the construction industry is very low, especially for construction trade careers.
- The overseas migrants we need are often prevented from working in the construction industry because of formidable administrative barriers.

To address the challenges with the construction workforce, Master Builders Australia recently published *Future-Proofing Construction: A Workforce Blueprint*. It provided detail on a number of our policy proposals:

- Current and future secondary school students deserve the opportunity to learn about and pursue careers that they find motivating and rewarding, regardless of the educational pathway. Master Builders recommends addressing the entrenched bias toward university in our schools by improving the quality of careers education through a new federal, state and territory government National Partnership Agreement on Quality Careers Education. This new agreement needs to adequately fund and resource schools to deliver comprehensive, unbiased, and up-to-date careers education to secondary and senior secondary school students.
- Master Builders is concerned that targets for females on government funded projects will lead to employers competing over the same pool of workers (such as poaching female workers from private sector projects to public sector projects), rather than expanding the pool. The focus at the moment needs to be on growing and retaining the pool of female workers across the entire building and construction industry.
- Australian apprentices have the potential to graduate from training nearly \$150,000 financially ahead of university students when accounting for apprentice earnings and university debt. 64 per cent of young people said knowing this would make them consider an apprenticeship pathway more seriously.
- To promote the value and potential of Australian apprenticeship pathways Master Builders advocates for the National Careers Institute work with industry, apprentices, and employers to develop a coordinated national apprenticeship campaign to dispel the myths and promote the value and potential of apprenticeship pathways to young people, the parents and career advisers.
- To provide certainty and instil confidence, Australia needs a longer-term approach to migration planning. The Department of Home Affairs should work with the Centre for Population and Jobs & Skills Australia to develop a rolling ten-year migration plan.



- Improved recognition of comparable international qualifications and experience, particular for trades. Trades recognition assessment processes are marred by lengthy delays. Where it is established that a particular country's standards are comparable or exceed Australian requirements a trade recognition assessment should not be required. This has the potential to speed up processes, reduce red tape and costs, and make Australia a more appealing destination for these workers.
- Expansion of graduate visa eligibility. Australia's tertiary education system is highly regarded, making us a popular destination for international students. At present, many permanently leave Australia after graduating. This represents a leakage of valuable skilled labour from our economy. To encourage more Australian educated international graduates to remain in Australia the range of qualifications eligible for graduate visas should be expanded to include Certificate III and above qualifications and the visa term extended to four year.
- Reforms to English language requirements for skilled visas so they are commensurate to the level of English required for the occupation or class of occupations. Building and construction employers have identified that functional English would be a more appropriate level for many construction occupations, particularly trades.
- To determine the viability of an apprenticeship visa pathway and the attractiveness to both employers and migrants, an apprentice visa should be piloted.
- A successful apprentice-employer relationship requires a good fit for both parties and this should be explored during recruitment. Tools and resources should be developed to help apprentices and employers to identify and understand what they are looking for in the employment relationship and how to seek out these qualities.
- Master Builders recommends restructuring the wage subsidy to provide a 30 per cent wage subsidy in year one with no subsidy in subsequent years.
- Any mandatory increases in minimum apprenticeship earnings must be financed through the use of subsidies from government. This is because the pure economic benefits of employing apprentices are already low relative to employment costs.
- Master Builders recommends development of a digital apprenticeship platform to improve the efficiency of apprentice training contract execution, provide apprentices and employers with resources and information, and free up AASN resources to provide better support to apprentices and employers.



- The Federal Government should reinvigorate the national registration framework for building practitioners and incentivise state and territory governments to fully implement automatic mutual recognition reforms across all licensed occupations.
- Settings in the tax system which obstruct labour mobility, including stamp duty, need to be identified and tackled.

In relation to recent issues with the supply of building products and materials, we recommend the following:

- Federal government to offer flexibility in its contractual dealings with building and construction companies whose operations have been hampered by cost spikes, labour shortages and other supply chain complications.
- Resources should be made available to federal government entities, including the ATO, in order to facilitate a sensitive approach to the recovery of debt from businesses experiencing difficulties in their operating environment.
- Over the longer term, the federal government should allow for the National Reconstruction Fund to be fully leveraged to help expand Australia's onshore manufacturing and distribution capacity with respect to key building materials like timber, steel, modern manufacturing output and net zero transformation. This should be supported by a sector based plan on delivering better local outcomes.
- Consideration should be given to widening the jurisdiction of the Modern Manufacturing Strategy to include the building materials industry.

We thank you for the opportunity to provide this input. We would welcome any opportunity to provide the Select Committee with more details on this.

Yours faithfully,

Shane Garrett
Chief Economist
Master Builders Australia

