



SUBMISSION BY THE
Housing Industry Association

to the
Senate Legal and Constitutional Committee
On the
Migration Amendment (Visa Capping) Bill 2010

3 June 2010

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For further information

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Introduction

HIA is the leading industry association in the Australian residential building sector, supporting the businesses and interests of over 43,000 builders, contractors, manufacturers, suppliers, building professionals and business partners.

HIA members include businesses of all sizes, ranging from individuals working as independent contractors and home based small businesses, to large publicly listed companies. 85 per cent of all new home building work in Australia is performed by HIA members.

HIA promotes policies that enhance our members business practices and for that reason HIA has been at the forefront in formulating policy to assist members to meet the growing need for available skilled trades.

Housing Demand to 2020

Australia is simply not keeping up with the housing demand generated by historically strong natural population growth and net overseas migration.

HIA estimates that over the next 10 years alone, taking account of current population projections Australia will need to build at least 1.92 million dwellings, well ahead of the 1.5 million dwellings completed over the last 10 years. If current building trends were to persist, it is projected that Australia's cumulated housing shortage would reach 466,000 dwellings by 2020.¹

The National Housing Supply Council recently reported that current population trends imply underlying demand was over 200,000 dwellings.²

In its second report the Council said that underlying demand has continued to grow over the past several years, that supply is not responding to this increase in demand and that the gap between demand and supply has continued to increase and will continue to increase without any changes to demand and/or supply.

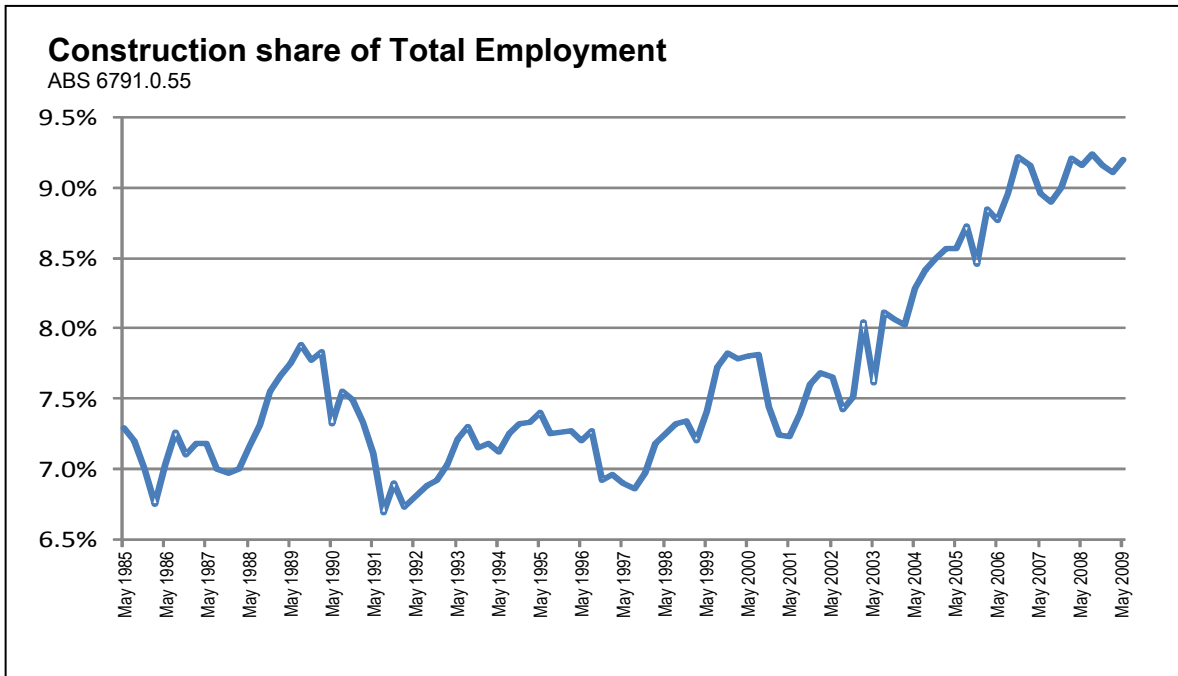
Workforce Capacity to meet Demand

In the past 8 years the construction industry has grown from just under 700,000 to currently employing close to 980,000 people³.

¹ HIA Economics, *Housing to 2020; Australian Dwelling Requirements and Housing Shortage to 2020*, March 2010.

² National Housing Supply Council, *2nd State of Supply Report*, April 2010. prepared for the Department of Families, Housing, Community Service and Indigenous Affairs.

³ ABS, 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, Feb 2010,



The chart above shows the share of construction employment as a proportion of total employment has also grown over this time. It can be seen that employment in the construction industry is increasing in significance growing strongly as a proportion of overall employment dating from the late 1990s.

Despite employment growth, shortages currently exist across trade occupations. At the current time the HIA Austral Trades index below provides an indication of the key shortage occupations. These figures point to a moderate undersupply across most trades throughout Australia.

HIA Austral Trades Index Mar 2010 – Trade Availability by Occupation

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Quarterly Movement in Availability
Bricklaying	0.00	-0.48	-0.49	-0.63	-0.27	-0.17	-0.13	0.00	-0.12	-0.06	-0.10	-0.08	-0.18	↓
Carpentry	-0.30	-0.35	-0.50	-0.55	-0.46	-0.37	-0.29	0.11	0.16	0.08	0.04	-0.03	-0.18	↓
Ceramic Tiling	-0.36	-0.32	-0.37	-0.61	-0.43	-0.40	-0.33	0.00	-0.08	-0.21	-0.25	-0.33	-0.25	↑
Electrical	-0.70	-0.56	-0.57	-1.07	-0.25	-0.17	-0.30	-0.83	-0.51	-0.14	-0.15	-0.03	-0.18	↓
General Building	-0.54	-0.44	-0.49	-0.60	-0.44	-0.45	-0.17	0.06	0.13	0.03	-0.06	-0.05	-0.06	↓
Joinery	-0.32	-0.34	-0.40	-0.68	-0.44	-0.27	-0.27	-0.11	0.12	0.38	0.19	0.18	0.05	↓
Landscaping	0.00	-0.47	-0.49	-0.33	-0.50	-0.25	-0.10	0.09	0.18	0.11	-0.14	-0.17	-0.25	↓
Other Trades	-0.20	-0.32	-0.41	-0.34	-0.44	-0.24	-0.25	-0.36	-0.05	0.04	-0.04	-0.06	-0.04	↑
Painting	-0.47	-0.66	-0.40	-0.67	-0.62	-0.50	-0.36	-0.60	-0.08	0.18	0.00	-0.13	0.00	↑
Plastering	-0.29	-0.28	-0.50	-0.77	-0.56	-0.44	-0.39	-0.18	0.13	0.22	0.14	0.00	0.07	↑
Plumbing	-0.80	-0.85	-0.80	-0.76	-0.50	-0.26	-0.14	-0.50	-0.36	0.01	-0.25	-0.14	-0.33	↓
Roofing	-0.33	-0.76	-0.79	-0.96	-1.00	-0.40	-0.76	-0.31	-0.35	0.01	-0.14	-0.36	-0.21	↑
Site Preparation	-0.75	-0.84	-0.80	-0.50	-0.57	-0.57	-0.25	0.00	-0.09	0.13	0.08	0.14	-0.03	↓
All trades	-0.41	-0.43	-0.46	-0.51	-0.46	-0.40	-0.29	-0.06	-0.05	0.10	-0.07	-0.08	-0.11	↓

A down arrow indicates a deterioration in trade availability over the quarter while an up arrow indicates an improvement in trade availability.

Source: HIA-Austral Bricks Trades Report

As per the trades index, the occupations in the residential building industry that are currently in moderate undersupply include: Bricklaying (includes Stonemasonry), Carpentry, Ceramic Tiling, Electrical, General Building (includes Labourers), Landscaping, Other Trades (includes Concreting), Plumbing, Roofing, Site Preparation. Joinery, Painting and Plastering occupations have recorded shortfalls in trade availability in the past two years.

Although the residential building industry finds itself today in a position of shortage the nation faces two key factors over the period to 2020 of having to satisfy the increase in demand for housing from a growing population - skilled labour shortages caused in part through the skills needs of a strong resources sector and the transition of the ageing workforce into retirement.

In the resource sector 80 major new projects worth \$92 billion ⁴ are set to commence by 2015. Under this scenario, resource sector employment is expected to need an additional 136,000 workers by 2013-14.

The upswing for the resources sector is set to underpin the broader economy, but threatens to exacerbate skills shortages across the construction industry.

In the longer term, as highlighted by the third Intergenerational Report, Australia has an ageing and growing population, growing pressures on the health system, and an environment susceptible to climate change. Between now and 2050, people aged 65 to 84 years will more than double and the number of people aged 85 and over will more than quadruple. By 2050, there will be only 2.7 people of working age for every person aged 65 and over. Today there are five.⁵

It is with the transition of the ageing workforce that there needs to be policy responses to filling emerging labour gaps. This is especially the case for the residential building industry that finds itself with an ageing skilled workforce.

For the residential building industry an ageing of the workforce is expected to take place over the next five to ten years which will see the average age of the construction industry shift beyond the current average which sits around the early 40s. Depending on the trade occupation and the skill type the current average age falls into the late 40's and early 50's through to skill sets trade skill sets nearing retirement.

⁴ The Hon Gary Gray AO MP, *Taskforce consults about Australia's resources industry workforce needs*, Media Release, 2 March 2010.

⁵Department of Treasury, *Australia to 2050; Future Challenges*, 3rd Intergenerational Report, January 2010.

This loss of skilled tradespeople, qualified principal contractors and para professionals threatens to see housing affordability conditions deteriorate and skill shortage created bottlenecks hold jobs up.

Considering the current and forecast workforce capacity constraints, to meet the expected housing demand, the industry is reliant on a pipeline of skilled entrants through apprentices, reskilled and upskilled workers and skilled migrants.

The focus of Government attention in addressing skill shortages should remain with improving accessibility, training pathway flexibility and the method of delivery of trades training to ensure more young Australians commence and complete trades training. However, the lag associated with training young Australians to address the present skills shortages is at least five years.

Where skill shortages in occupations exist for a number of years, there is a responsibility to question the functionality of the educational and training systems in Australia.

Maximum efforts should be made to ensure that Australia's educational and training arrangements and structures optimise employment opportunities for Australian residents.

Reform of domestic training arrangements has not been an endearing feature of skill formation in Australia. The lack of flexibility and responsiveness in the training sector increases the pressure on migration to ameliorate shortages of skilled labour.

In view of current shortages and the existing and anticipated demand for housing there is a requirement to improve existing administrative arrangements as applicable to skilled migration.

Ideally, immigration policy should be developed in conjunction with local education and training, and integrate industry support which is made difficult by the different levels of government authority and responsibility.

Current Immigration program

Evidence suggests that one of the main reasons employers recruit skilled migrants is the lack of local specialist skills suitable for the business, not always available in a small nation such as Australia.⁶

⁶ Siew-Ean Khoo, Carmen Voigt-Graf, Peter McDonald and Graeme Hugo, *A Global Market: The Recruitment of Temporary Skilled Labour From Overseas*, prepared for the Department of Immigration and Multicultural and Indigenous Affairs, p. vi.

To the extent that sponsored migration is driven by endemic local shortages of skills in demand as distinct from cyclical requirements, the temporary and employer-sponsored programs aims to help build the skill base of the Australian labour force.

For small businesses, employer-nomination and temporary migration can be complex, time-consuming and present risks linked to long-term employment obligations. Residential building is an industry characterised by independent small businesses. In fact, there are more small firms in the building and construction sector than any other industry sector (19 per cent of all small businesses in Australia operate in the building and construction).

Because the housing industry is characterised by such small-size firms and contractors undertaking mainly business-to-business transactions, very few builders and contractors access employer-linked migration.

Contractors have made Australia's housing industry among the most successful, cost effective and innovative in the world. The industry has low operating costs, slender profit margins and high consumer satisfaction. Notwithstanding the competitiveness of this sector, many of the obligations imposed by the 457 visa category are prohibitive for small businesses within housing industry.

Recruitment costs and logistics marginalise 457 Visas take up for small businesses in this sector. Employers are required to meet medical costs and travel costs of the skill migrant and their family and any costs associated with locating, detaining and removing the sponsored person should that be required. Record-keeping and information provision requirements associated with 457 sponsorships are daunting for small businesses. Significant delays in processing times due to red tape and other regulation (eg licensing, safety) provide a further disincentive for businesses in the residential construction sector considering the employment of a skilled migrant.

The cost for employers for 457 visa access potentially sits in the range of between \$10,000 to \$30,000.⁷

It is from this position of independent small business operations that Employer Nominated and 457 arrangements are cumbersome for the residential building industry and a more flexible independent visa system is required.

Skilled independent visas are of great interest to HIA as they have the potential to allow qualified tradespersons to enter without sponsorship as permanent residents and work as independent contractors across Australia. However, only around 1500 skilled independent visas are issued to principal applicant (about 3

⁷ *Joint Standing Committee on Migration, August 2007*

per cent of the total) construction tradespersons and only a proportion enter residential construction.

HIA has also encouraged and supported state/territory government sponsorship arrangements but it is disappointing that these only account for around several hundred visas in building construction occupations (again sitting at around 3 per cent of the total).

Broadly speaking, immigration as a skill stream requires a more focused targeted approach to be more effective for the residential building industry. HIA has provided a policy response in Appendix A for consideration to address this requirement.

Visa Cap must deliver Workforce Capacity

HIA is supportive of a strong and dynamic immigration program. In recent times, the skilled migration program has failed to attract sufficient residential construction labour to meet additional net migration numbers which contributes to the underlying demand for housing.

HIA considers that constraints in the Australian economy, particularly in respect to traditional building trades, the consequential demand effects, and necessary supply responses from increased or reduced migration, quite rightly should be assessed in more detail.

HIA has called for a more targeted program using immigration as way of easing pressure on prevailing skill shortages and as a means of building capacity within the economy.

It is from this position that HIA makes its submissions on the Migration Amendment (Visa Capping) Bill 2010.

HIA considers there is a requirement to review the total net flow of migrants in any given year (including humanitarian and student) with sectoral industry requirements, price pressures and the capacity of the economy to expand supply to provide basic goods and services.

The Bill provides a legislative instrument to enable the Immigration Minister to determine the maximum number of visas of a specified class or classes that may be granted in a financial year to visa applicants with specified characteristics and treat surplus applications for the capped visa as never having been made.

This Bill provides the capability to reduce the large number of General Skilled Migration (GSM) applications that are currently on the books (over 140,000).

Also the Bill provides a mechanism to streamline the intake of GSM to the particular skills in the classes that are determined by Government as the occupations that are in shortage. This could be considered to be acceptable if the skill shortage occupations are those supported by research as being in short supply and as long as the capped number per occupation is adequate to meet accepted shortfalls and the forecasted need in the future for the skill.

Among the trades listed in the HIA Austral Trades index (March quarter) report there are trades consistently in shortage such as bricklayers carpenters and plasterers.

However despite these trades being considered as being in shortage by industry and also by Skills Australia in its Skilled Occupations List, they have not been identified in short supply through research carried out by the Department of Education, Employment and Workplace Relations (DEEWR).

In fact carpenters and bricklayers were determined by DEEWR as having no shortage throughout 2009.⁸

DEEWR web based research⁹ of State specific shortages also failed to list bricklayers, plasterers and carpenters in the majority of States, contradicting HIA and the National SOL recommendations.

Clearly, the problem lies with inadequate reliable information and predictive capacity.

Without consistent and coordinated research of skill shortages nationally, a capping exercise would be ineffective and come under criticism as not accurately targeting skill shortages. The result would inhibit the migration skill stream from assisting the residential building industry to fill skill shortages.

Conclusion

Immigration is one of three key streams, alongside new entrant apprenticeships and the upskilling/reskilling of existing workers, to source the workforce necessary to meet housing supply demands to 2020 and beyond.

⁸ National Resources Sector Employment Taskforce, *Resourcing the Future Discussion Paper*, Mar 2010, Prepared by DEEWR, p.19.

⁹ See:

<http://www.workplace.gov.au/workplace/Publications/LabourMarketAnalysis/SkillShortages/StateandTerritorySkillShortagelists/StateandTerritorySkillShortages.htm>

The housing undersupply projections to 2020 will come under further pressure from worker attrition due to retirement of an ageing workforce and through competition for labour from the resources sector.

Creating the authority to determine the maximum number of Visas of a specific class or classes that may be granted in a financial year will do little to address current and future workforce constraints without significant improvements in workforce predictive capacity targeting skilled migration in categories relevant to the residential building industry.

HIA would be keen to provide further information and expand on these points to assist your inquiry.



Appendix A

Industry Based Migration Policy

HIA is of the view that business should be preparing for economic recovery and seek to avoid the skill shortages that could generate a re-kindling of inflationary pressures.

Even though residential building has been in decline for the past five years, the housing industry has experienced chronic shortages of professional skills, indicating the problem is not cyclical but structural in nature.

HIA estimates that over the next 10 years alone, taking account of current population projections Australia will need to build at least 1.92 million dwellings, well ahead of the 1.5 million dwellings completed over the last 10 years. If current building trends were to persist, it is projected that Australia's cumulated housing shortage would reach 466,000 dwellings by 2020.¹⁰

The National Housing Supply Council recently reported that current population trends imply underlying demand was over 200,000 dwellings.¹¹

In its second report the Council said that underlying demand has continued to grow over the past several years, that supply is not responding to this increase in demand and that the gap between demand and supply has continued to increase and will continue to increase without any changes to demand and/or supply.

The availability of professional trade businesses to the housing industry could be crowded out by recovery in non-residential building and engineering construction sectors, where activity is set to increase significantly in the next financial year with additional investment in mining infrastructure, water, transport, ports, energy supply and communications.

Despite the significance of the housing industry to the economy and jobs, very few new migrants enter the industry. In the housing industry most firms are engaged in business-to-business transactions where small business players abound. Consequently, very few builders and supply-and-fix firms access employer-sponsored migration.

¹⁰ HIA Economics, *Housing to 2020; Australian Dwelling Requirements and Housing Shortage to 2020*, March 2010.

¹¹ National Housing Supply Council, *2nd State of Supply Report*, April 2010. prepared for the Department of Families, Housing, Community Service and Indigenous Affairs.

HIA proposes the formulation of a *Business Migration Agreement* under which the Australian Government and HIA (and possibly some HIA members) enter into a partnering agreement for a negotiated quota of self-employed business migrant visas. The agreement would not include employees and visas would be for a period of up to five years. Successful applicants would have the opportunity of seeking permanent residency at a future date.

Canada and Quebec have introduced a self-employment visa. The Canadian schemes require the applicant to substantiate appropriate business and related experience. In effect, the applicants are required to demonstrate that on arrival they will be able to run their own business, for which they possess the required skills, training, experience and recognition.

Under the HIA proposal, current recognition in the source country of an independent business could be utilised as one of the criteria for the granting of a provisional 'Owner-Manager' Visa.

By way of example, in the United States, trade contractors have an Individual Identification Number and are required to pay Self-Employment Tax to cover the social security contribution. In the United Kingdom, professional services businesses have to register as self-employed businesses and complete annually a self-assessment tax return based on the tests that are similar to those applying in Australia.

As a registered training organisation with accreditation in the recognition of prior learning, HIA would be able to accept responsibility for assessing the professional capacity of business migrants in the scheme. In addition, HIA would take responsibility for assisting migrants in achieving the necessary business, income tax and GST registration, negotiations with the relevant trade registration agency at state level and business-ready compliance with occupational, health and safety regulations and the Building Code of Australia.

In addition, the Association (and participating members) would provide a mentoring role for self-employed business migrants and facilitate and promote business-to-business opportunities. Through the running of a group training scheme that employs close to 1,000 apprentices, HIA is well versed in case management and the facilitation of the placement of apprentices with hosts. These skills are transferable to the placement of migrant trade businesses with local building businesses.

Obviously, it would be desirable for a business migrant to have an offer of project contract work in advance of moving to Australia. Through its relationships with builder members HIA would undertake a 'matching' role. The applicants would have to demonstrate a capacity to be able to provide for

themselves should there be an interruption to the availability of project contract work. HIA would be utilising its best endeavours to achieve continuity of contract work for business migrants under the scheme.

A possible way forward would be to run a pilot scheme for a designated period, desirably in conjunction with a state government. HIA is attracted to the commencement of a pilot scheme in Western Australia. The presence of large residential building companies would help to ensure a continuity of contract building work. The strong competing demands from the resources sector in this region also adds weight to the pilot being located in the west.

It is suggested that the targeted number of business migrants would be set initially at about 200 over a 12-18 month period. The type of contracting businesses that would be sought would include electrical, plumbing, bricklaying, tiling, plastering, rendering, carpentry and plumbing. While modest in number, the objective must be to achieve successful outcomes.

HIA is a keen advocate of the Industry Outreach Officer scheme and would see a valuable role for such an officer working in Perth with HIA and participating local members in facilitating successful transitions of business migrants.

The Department of Immigration and Citizenship would have responsibility for health and security checks and assessing English-language skills. English-language proficiency is essential because of the interactive responsibilities of contractors on residential building sites, especially important in the area of Occupational, Health and Safety.

It is hoped that the WA Government would be amenable to supporting the promotion of business opportunities for migrants in possible source countries. The advice of the Department of Immigration and Citizenship would also prove valuable.

Due to the complementary nature of trade skills in the United Kingdom and the United States with the requirements of Australia's housing industry, both of these countries would be potentially attractive source countries. In the United States and the United Kingdom, activity in the residential building industry has more than halved. In addition, trade contracting businesses from South Africa might be a suitable source country.

The Business Migration Agreement would operate within a clear framework of performance management and audit by the Department of Immigration and Citizenship.