



**MASTER BUILDERS  
AUSTRALIA**

Submission by

**MASTER BUILDERS AUSTRALIA**

to

**House of Representatives Standing  
Committee on Employment and  
Workplace Relations  
Inquiry**

into

**Employment:  
Increasing Participation  
in Paid Work**

September 2003  
Master Builders Australia Inc ABN 701 3422 1001

## **1.0 Introduction**

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- 1.1** Master Builders Australia welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Employment and Workplace Relations Inquiry into Employment: Increasing Participation in Paid Work.
- 1.2** Master Builders Australia represents the interests of all sectors of the building and construction industry. The Association consists of nine State and Territory builders' associations with over 24,000 members. The members range in size from large multinational and national contractors to small subcontracting businesses.
- 1.3** The building and construction industry in Australia contributed over \$70 billion of activity in 2002-03<sup>1</sup>. It has approximately 210,000 businesses and 440,000 specialist trades businesses operating within it, employing some 737,000 persons.
- 1.4** Housing construction is the largest of the three distinct sectors within the industry, undertaking work estimated at to around \$32.5 billion in 2002-03; followed by civil and engineering construction with a turnover of some \$24.5 billion; and commercial and industrial construction at around \$15.5 billion.
- 1.5** Ninety-five per cent of all businesses in the building and construction industry employ less than 5 people, while fewer than 1 per cent have 20 or more employees.
- 1.6** Many of the smaller businesses are family run (often a husband and wife partnership whether incorporated or not), through which the husband carries out his particular trade.

## **2.0 The Essence of the Issue**

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- 2.1** The 2002 Intergenerational Report<sup>2</sup> highlighted the developing demographic problems for the Australian economy. The most salient feature of this report is that the majority of growth in the Australian population will occur in the 55 and over category. It should also be noted that the participation rate of the age 55-60 cohort is below 50 per cent, compared with levels of 63 per cent in New Zealand, and 60 per cent in the United States<sup>3</sup>.

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<sup>1</sup> ABS Cat. No. 8755.0

<sup>2</sup> Cth of Australia, Budget Paper No. 5, 2002-03

<sup>3</sup> OECD Employment Outlook 2002

**2.2** The report listed a number of solutions to this problem including:

- Preserving a well-targeted social safety net that encourages working age people to remain in the workforce.
- Encouraging mature age participation in the labour force.
- Removing barriers to finding employment

### **3.0 Building Industry Issues**

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**3.1** Today's building and construction industry is undergoing rapid change in nearly every aspect of its operations; advanced methods of construction, new technologies, a different industrial relations climate, the restructuring process, job skill specialisation, international competition, rationalisation of organisations and adaptation to an array of new economic legislative arrangements.

**3.2** The occupational structure of the building and construction industry is very different from the workforce as a whole. Whereas 13 per cent of the overall labour force is classified as tradespersons or related workers, over 50 per cent of building and construction workers are classified as such<sup>4</sup>. This highlights the dependence of the industry on the vocational education and training (VET) system and its traditional reliance on structured apprenticeship training for its skill supply. The only way to increase participation of the unemployed in the building and construction industry, as in other industries, is to have adequate means of education and training and to provide incentives for unemployed workers to re-train.

**3.3** The importance of VET for the building and construction sector, particularly as it relates to increasing participation of younger workers, was addressed by Master Builders in its submission to the Senate Inquiry into current and Future Skill Needs. Our submission and evidence is available through the Senate Committee website.

**3.4** As at July 2003, the Australian Bureau of Statistics (ABS) estimated that 737,000 people were employed in the building and construction industry. The trend level of employment was estimated by the ABS at 761,000. Of the former 229,600 were employed in general construction and 507,400 in construction trade services.

**3.5** Of the total labour force, 7 per cent are classified as employers (second highest of all sectors behind agriculture) and 27 per cent are own-account workers (again, second highest behind agriculture).

**3.6** The ratio of part-time to full-time employment in construction is quite low, at 14.7 per cent, compared with an Australia-wide average of 29.8 per cent.

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<sup>4</sup> ABS Cat. No. 6105 and NCVER March 2002

- 3.7 The ratio of females to males is also very low at 12.2 per cent compared with an average of 44.6 per cent.
- 3.8 The age structure of employees in the building and construction industry is somewhat different to that in other industries. As at February 2003, the proportion of workers in the 15 to 24 age bracket was right on the national average at 18.3 per cent. The proportion of workers in the 25 to 44 age group was 52.4 per cent compared with the national average of 49.6 per cent. The number of older workers in the building and construction industry, 45 years and over, was 29.3 per cent compared with the national average of 33.9 per cent.
- 3.9 These excessive exit rates as workers pass the age of 45 have negative repercussions for the industry in terms of lost productivity and loss of skills.

#### **4.0 Master Builders Employment, Education and Training Policy**

- 4.1 Master Builders believes that the Australian employment, education and training system should:
- provide existing workers and new entrants with the ability to maximise their potential and equip them to develop skills and experience which are relevant to industry needs both now and into the future.
  - provide equitable employer incentives for apprentices and trainees and existing workers.
  - ensure careers advice is contemporary and fosters industry education partnerships that create on-going opportunities for students to select and develop careers that will be in demand in a future employment market.
  - provide a multi entry and multi exit pathway for workers and new entrants to pursue career paths which match the needs of individuals and enterprises through life long learning strategies.
  - provide national consistency in competencies, curriculum, assessment and certification of all skills obtained by members of the industry that will also enable them to have portability of these qualifications across all Australian jurisdictions. Similarly, these competencies should be recognised not just in the construction industry but in other associated industries thus allowing employees to maintain their employment options.

- engage in employment forecasting activities that can provide intelligence on movements in the labour force that require refinement of existing industry plans and training, education and employment options.
- provide an industrial relations platform that recognise the changing world of work particularly in regard to career transition for older workers and casual and part time career options.
- upgrade the existing apprenticeship and traineeship system and develop additional entry level training arrangements that better reflect the needs of industry for both new entrants and existing workers.
- provide flexible tertiary level courses to ensure that they are practical and relevant to the building and construction industry and match the overall employment options for Australians.
- provide equitable access to training and employment opportunities through urban and regional Australia to ensure people are able to remain in their communities.

**5.0 *How a balance of assistance, incentives and obligations can increase participation, for income support recipients***

- 5.1** Master Builders sees as a priority there is the need to develop a targeted education and training regime that will enhance the skills of the industry's older workers to improve their chances of remaining in a rapidly changing work environment. This task is becoming all the more urgent as the impact of new emerging technologies, together with the lack of training opportunities, makes it more and more difficult for mature age workers to maintain their skills base.
- 5.2** Initiatives such as learning bonuses must be considered as a matter of priority to encourage mature age workers to undertake new training. Employer organisation will continue to work with the Federal Government to develop better incentives for employers to up-skill their existing workforce, including further development of a proposal of a learning bonus.
- 5.3** Master Builders supports the introduction of financial assistance for existing employees to undertake training in the formal training system. A learning bonus scheme is proposed which provides an allocation to an employer for employees who complete a formal qualification at AQF 3 or above. This would not be limited to New Apprenticeships. The bonus would simply be a financial incentive for employers to encourage their workforce to undertake formal rather than, or in addition to, informal training. The measurable outcomes of the scheme would be the formal recognition of skills of the Australian workforce and encouragement to up-skill workers.

- 5.4 It is envisaged that a limit would be placed on the total number of workers for which an employer could receive the bonus in any given year. At this stage a limit of 250 participants has been proposed. The bonus would only be made available to employers by providing proof of qualification by the respective Registered Training Organisation to the New Apprenticeship Centre. The payment would be the same amount as the relevant commencement payment for entry-level training.
- 5.5 The bonus would be paid to the employer but could be used for any purpose. In some cases the employer may use the payment as a reimbursement for undertaking skills assessments for their workforce, or wish to pass on the bonus to the employee to assist them in meeting costs, or as an incentive for them to undertake training out-of-hours. It is recognised that some workers may require less formal training than others to complete a qualification. It is recognised that the costs associated with this would be different for each worker, however, it is important that one level of bonus is introduced.

**6.0 *Measures that can be implemented to increase the level of participation in paid work in Australia both in urban and regional areas***

- 6.1 Master Builders believes that in addition to increasing the participation rate of older workers, maintaining an adequate labour force will require an increase in the participation rate of women and part workers in productive work.
- 6.2 Unlike most other industries, the building and construction industry exhibits large fluctuations in demand, creating peaks and troughs, both over a period of years and within or during the course of a year. The economics of the industry is such that subcontracting is widespread and has grown partly in response to the restrictions on casual employment. Employers increasingly require the flexibility to match their ability to perform work with fluctuations in demand.

The subcontracting system has grown in response but this means that employers are less likely to build up a permanent workforce and this increase in subcontracting partly explains the reason for the current low level of casual employment. It is clear that casual employment can be of major benefit to both employers and employees and arises in many cases because of the decision of employees to work casually. Trade unions are increasingly attempting to price casuals out of the labour market by inflating casual loadings and introducing a range of arbitrary barriers to the hiring of casual workers.

- 6.3 Reversing these trends would go a long way towards enabling mature workers to stay in the building and construction labour force without having to make full-time commitments. If the restrictions on casual

employment were lifted and arrangements in industrial instruments for part-time work introduced, the numbers of older and female workers engaged would increase.

- 6.4 The problem is also exacerbated by wage inflexibility. Many workers in the building and construction industry exit the industry early because they can no longer cope with the physical demands of many of the jobs in the industry. There is also pressure on employers to replace older workers with younger more productive ones. Only by allowing some flexibility in wages which can be linked more closely to productivity, can these mature age workers remain attached to the workforce.

## 7.0 Conclusion

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- 7.1 The focus of our submission principally relates to protecting the ageing workforce of the building industry from becoming future income support recipients by engaging in additional training. Our measures also relate to being better able to predict the nature of the labour market to ensure that we can better predict which vocations will be in demand so that training is targeted to meet emerging demands. This will, in part, provide future new entrants to the industry with a more secure employment pathway that will assist young people to avoid income support.
- 7.2 The proposed learning bonus recommendation targets existing older workers who will ultimately find their way to income support if they are not assisted to retrain. The bonus would simply be a financial incentive for employers to encourage their workforce to undertake formal rather than, or in addition to, informal training.
- 7.3 There are also imperatives to have an industrial relations climate that provides for flexibility in wages and conditions that allow as many pathways to employment to be available to meet the needs of individuals and employers. Without advances on this front many in the community will be reliant on income support measures.
- 7.4 Government, employers and individuals must contribute to finding complementary solutions to ensure income support is kept to a minimum during a person's life.