Submission no: 53a
Received: 8 April 2003

Tasmanian Building and
Construction Industry
Training Board

2 Castray Esplanade, Battery Point
PO Box 105, Sandy Bay Tas 7006
email@tbcitb.com.au
Telephone (03) 6223 7804
Facsimile (03) 6234 6327

STATE OF THE INDUSTRY REPORT

Business Activity and Entry Level Training in the Tasmanian Construction Industry

Funding quality training
for the industry

- *Since early 1999, Tasmania's economic performance has been characterised by:*
    - *improved rates of economic growth and solid growth in final demand;*
    - *a strong recovery in investment;*
    - *sustained growth in overseas merchandise exports, to record levels;*
    - *higher levels of both full time and part time employment;*
    - *a substantial reduction in unemployment, currently around a 12-year low; and*
    - *a return to population growth as a result of lower levels of interstate out-migration.*
- *Tasmania's economic outlook is positively influenced by major infrastructure projects worth $1.5 billion already commenced or planned to commence.*
- *Following economic growth for the nation averaging over 4 per cent for most of the 1990s, Australia's growth almost halved to 2.4 per cent in 2001, the lowest since the 1991-92 recession. The reduction in national economic growth has adversely impacted on Tasmania.*
- *The fiscal stimulus package announced by the State Government in the 2001-02 Budget has provided a substantial positive boost to the Tasmanian economy.*
- *Consistent with the improvement in economic performance over the past three years, business confidence has recently been on a generally rising trend, notwithstanding the impact of the slowdown in the national and US economies.*
- *Positive developments are expected to underpin solid economic and employment growth in Tasmania in 2002-03. These include the Government's additional fiscal stimulus of increased expenditure and tax cuts, the commencement of gas flowing to the State, the continued low value of the Australian dollar and the low levels of interest rates.*

The Tasmanian Economy -
according to the Budget Information published by
the Tasmanian Department of Treasury and Finance, May 2002.

Current Picture

As forecasted by the Board last year, construction work available in Tasmania has increased in 2001-2002.

During the year, the value of construction work done amounted to $892 million (in 2002 prices), the highest level of construction work done since 1990.

The mounting improvements in activity levels of 4 percent in 1998-1999, 5 percent in 1999-2000 and 46 percent in 2001-2002 has been mainly associated with the:

- Goods and Services Tax (GST). Builders and home buyers tried to apparently save money by getting houses built before the GST was introduced in July 2000.

- First Home Owners Grant. On 9 March 2001, the Commonwealth Government announced an additional $7,000 grant where a first homeowner builds their first home or purchases a new, but previously unoccupied home. On 9 October 2001 the Prime Minister announced variations to the terms and conditions of this additional grant, which ceased on 31 December 2001. As from 1 January 2002 until 30 June 2002 inclusive, the additional grant will be reduced to $3,000.

- Standard variable interest rate for housing loans. The rate ranged between 5.8 and 6.8 percent during 2001-2002. It has been dropping until reaching 5.8 percent in April 2002. Since then, interest rate has been going up and has been ranging between 6.3 and 6.55 in July 2002. It will likely continue to go up until building activity eases possibly towards the end of 2002-2003. That range is still low compared to interest rates during the last thirty years eg home loan rates were around 17 percent in 1990. Business loan rates have followed a similar trend.

- Major infrastructure projects worth $1.5 billion already commenced or planned to commence.

Building approvals rose by 6.5 percent in August 2002, the fifth consecutive monthly rise in an almost unbroken 19 month upturn in building activity. With at least 200 building approvals monthly, the industry has had the busiest months since November 1995. That figure is about 35 percent higher than approvals a year ago, although it is well short of the 362 approvals recorded in November 1993.

Residential building construction contributed $262 million (37 percent increase from 2000-2001) or 29 percent of the total industry activity. That amount of work done represents 1,889 dwelling units approved during the year (up by 72 percent from 2000-2001) valued at $184 million (a 57 percent increase from 2000-2001).

Because the private sector generates most of the housing activity, population remains a key factor that will affect growth in this sector. In particular, the size and make up of the population combined with socioeconomic factors like income will be important. According to Australian Bureau of Statistics population estimates, Tasmania had a net migration lost of 19,000 18-38 year old people between 1990 and 2000. That age group represents a large part of the housing market. Recent trends show a bottoming out of the decline and hopefully a sustained improvement in the toward population growth.

Because of relatively low interest rates, improved confidence in the Tasmanian economy and signs of growth in population, the trend in housing activity suggests an upward movement. **The Board would like to see residential building work increase to $288 million (10 percent) in 2002-2003 and $297 million (3 percent) in 2003-2004 before the cycle starts to move downward.**

Non-residential building construction activity, which added $168 million (10 percent increase from 2000-2001) or 19 percent to the total industry activity, improved in 2001-2002. While public sector expenditure ($55 million) on commercial buildings remained the same, private sector expenditure ($113 million) increased by 16 percent during the financial year. Educational and health (including nursing home) facilities make up about 42 percent of that amount. A significant amount of work (34 percent) also comes from shops, offices and other business premises.

A number of tourism and infrastructure developments are likely to be built in the next two years. Projects could include tourism facilities in Hobart, Launceston and the northwest coast and private investments influenced by the new Bass Strait ferries, Basslink, windfarm and natural gas developments. **The Board forecasts an increase in level of non-residential building work of 15 percent to $194 million in 2002-2003, and 20 percent to $232 million in 2003-2004 before it goes back to current levels.**

Engineering construction also improved greatly registering $462 million worth (73 percent increase from 2000-2001) or 52 percent of work done in 2001-2002. Work yet to be done in 2001-2002 was $67 million compared to $44 million in 1999-200 and $49 million in 2000-2001. Much of the increase was due to capital intensive projects in the utilities industry. With the Duke Energy's Tasmanian Natural Gas Project and other energy developments, the Tasmanian Government's infrastructure projects (the 2002-2003 budget has provided for a $443 million State Capital Program which includes a $30 million social infrastructure fund and a $76 million Roads Program), the Bass Link Project and the Federal Government's road funding package (at least $46.7 million for 2002-2003) in sight, **the Board forecasts a drop in activity to $392 million (which is still high compared to recent years) in 2002-2003 and $432 million (10 percent growth) in 2003-2004. Engineering construction is expected to return to more subdued level (around $300 million) in 2004-2005.**

Entry level training levels have improved from 757 apprentices in 2000-2001 to 831 apprentices in 2001-2002. It follows growth in the number of apprenticeships in both the traditional building trades and civil construction. It should be noted however that qualifications in civil construction did not exist before the Civil Construction Training Package became available in October 1998 and to date, existing workers rather than new entrants are pursuing those qualifications.

Traditional building trades include bricklaying, carpentry and joinery, painting and decorating, plastering, plumbing, roof tiling and wall and floor tiling. Other building and construction apprenticeships include civil construction, floor finishing and covering, materials handling, signwriting, sprinkler fitting and stonemasonry.

After 12 years of decline, the number apprentices in traditional building trade also picked up from 353 in 2000-2001 to 473 in 2001-2002. The additional apprenticeships were in carpentry and joinery (79), plastering (15), painting and decorating (13) and plumbing (8). Commencements have been cyclical from 225 in 1994 to 103 in 1998, back up to 164 in 1999, down 106 in 2001 and now back to 195 in 2002. In the last five years from 1997, an average of 40 apprentices each year cancel their apprenticeship. The cancellations are reflected in the number of apprenticeship completions which went from 173 in 1997 to 82 in 2002 (a stark contrast to 237 in 1992).

It is important that the apprentice numbers remain stable because tradespersons make up 50 percent of the industry workforce (a proportion that stands out against the all-industry average of 13 percent). Furthermore, recent estimates by the Department of Employment, Workplace Relations and Small Business suggest that a third of the construction workforce are over 45 years of age.

The Board's Employment and Training Program along with the Tasmanian Government's new Building and Construction Training Policy will help ensure a sufficient number of apprentices in the relevant occupations enter the industry.

The Board's program, which commenced in January 2002, gives financial support to employers and host employers for the provision of on-site training of apprentices in occupations where a skill shortage has been identified. With incentives of up to $4,000 per apprenticeship on top of all government subsidies, the program is expected to create an additional 150 new employment and training positions in priority areas in the building and construction industry over a three year period. Priorities for 2003 include asphalt paving, bricklaying, painting and decorating, roof tiling, plant operators, materials handling, concrete and steel fixing, and floor and wall tiling. A new area of skill shortage is also emerging – non-trades and specialist contractors.

Key Issues

In May 2002, the Board held regional workshops across the state participated in by some 250 industry practitioners. The workshops brought out the following issues.

Building accreditation

Industry practitioners have expressed the need for detailed information about how the accreditation system will work, what qualifications and training will be required to become accredited and how will the accreditation system be funded and how much will it cost operators. Questions raised at the workshops include:

- What are the benefits to builders and the industry?
- For accreditation to be successful, a control system needs to be put in place to ensure it is not abused and a reward system for builders who get accredited early.
- In a small community is there a need for an accreditation system especially when market forces will ensure better practitioners will succeed?
- Who initiated the policy and how will it be policed?
- When is the date for the accreditation system to take effect?
- Will home owner warranty still apply?
- All trades need to be accredited lead to cost reduction.
- What about building inspectors not in act?
- Is it company or individual that gets accredited?
- Who is a trade contractor and principal contractor?
- Should look at mainland experience so don't reinvent.
- Builders possibility of gold and silver licences.
- Need to protect Tassie Builders and contractors.
- The cost of maintaining indemnity insurance is a strong concern.
- Will small time builder meet accreditation standards and qualifications?
- What transitional arrangements for existing builders will there be to allow enough time to prepare for the change and meet accreditation guidelines?
- There was concern expressed that there was a lack of flexibility in accreditation criteria.
- When will training be done to meet accreditation?
- Will a system to recognise current competence through the experience of builders be established?
- Will TBCITB fund accreditation?
- What professional development will be required to maintain accreditation?
- There is a down time cost to builders to undertake training for accreditation how will this be funded.
- The participants recognised that it was important that it prevented bad builders starting up again.
- There was a danger identified that it may be easy gain entrance to the industry through accreditation particularly if their emphasis is on formal qualifications.
- The participants raised the issue of the management of conflict of especially with auditors, however it was pointed out that auditors could not be part of the authorised body or the builder being audited.
- How will it affect owner builders, will they be required to be accredited otherwise unfair costing.
- An industry levy was recommended by the workshops as the best system for collecting the fees associated with accreditation.
- Problem exists in that builders will have to explain the extra cost to clients.
- Who pays for audits?
- Will there be an annual licence fee?

Barriers to apprenticeship training

The following issues would need to be addressed:

- The most common problem expressed by participants was that they were not able to guarantee work for the term of the apprenticeship.

- The cost of training apprentices meant that an employer with an apprentice had additional costs that an employer without an apprentice did not have. The Tasmanian Government's Building and Construction Training Policy would help ease that lack of level playing field.

- Funding needs to targets skill shortages in the industry.

- There is a need for additional support services such as information on careers as well as on courses available.

- There is also a need for industry to find ways to provide for more versatile career pathways for apprentices including a training framework that has flexible entry and exit points. That flexibility is important particularly where many employers are small businesses and provide specialist services.

Training Providers

- Participants agreed on the need for training providers to keep abreast of new technology and current industry practices. The lack of flexibility with existing construction Training Packages contributes to that problem with a significant number of core units and overall make up and duration of qualifications not suitable for the industry in Tasmania.

- A difficulty expressed by industry members in the north and north west is that off-the-job training for building trade apprentices is not conducted statewide (only in the south). That arrangement means extra cost for the employer particularly when qualified trainers are available in those regions.

Training Packages

Flexibility in the structure of the construction industry Training Packages remains to be a big concern. Without compromising the integrity of the apprenticeship system and the various industry occupations, it should be possible to implement the Packages in such a way that industry members at the local level can tailor it to their training needs. The Board has been developing a framework and point system for designing industry qualifications that would meet local needs and national requirements.

The following highlights the need for flexible Training Packages:

- The number of construction businesses increased from some 1,500 in 1993 to 3,000 in 2000. During that same period, industry employment decreased from 12,704 to 10,858 workers.

- Between 1989 and 1997, the proportion of construction businesses employing less than five people increased from 85 percent to 94 percent.

- Subcontracting is the norm at present and would likely grow in future.

- Nationally as at March 2002, only 8 percent of people entering the building and construction industry use the construction Training Packages. A significant proportion (52 percent) of industry members are entering the industry through informal on-the job training. The remaining industry entrants complete state/territory accredited courses or individual national competency standards (Royal Commission into the Building and Construction Industry, National Centre for Vocational Education Research, National Building and Construction Industry Skills Initiative).

- While states and territories are continuing to accredit courses based on the Training Packages, that accreditation system is being phased out and only maintained to enable existing students to complete courses that would be covered by those Packages.

- State and territory authorities have different licensing and other requirements. It is important that the cost of training to meet those requirements remain practically appropriate and affordable.

Through research and workshops conducted by the Board, industry members indicated that the Training Packages reflect the 'old order' within the industry and are not flexible enough to meet training requirements across industry and enterprise needs with their specific skill requirements. They highlighted the need for flexible entry and exit points to ensure any training undertaken and competencies achieved is relevant and recognised.

Training Agencies

- There was a concern that not enough information and services are provided by training agencies including new apprenticeship centres to the building and construction industry and group training organisations.

- The workshops indicated there is a need for a statewide group training organisation to be run by industry.

  There is resistance to group training companies particularly in the north and northwest, with numerous stories of unhappy service from group companies. Employment using group training was seen as a fallback position by participants as direct employment is preferred because of the greater control by the employer. It was felt that there was a need for better monitoring of the training conducted, particularly on-the-job and a better record of the work actually carried out by apprentices. Group companies do not do this to any great extent.

  The lack of control for employers when using group companies is evident in the often poor selection or lack of choice of apprentices.

  The bureaucracy surrounding group training organisations as well as the lack of transparency their operations in is often seen as a barrier to using their services to employ an apprentice.

  It was strongly felt that group training organisations obtain funds from other sources, therefore they are not necessarily working for the industry's best interests eg targeting skill shortages.

  Employment through group training companies is regarded as very expensive and inappropriate for the service provided.

Activity Levels

While activity levels are have been improving, it is important that that such momentum is maintained by attracting investment in the domestic market and tapping export markets. Government priorities and policies can influence the demand for construction services.

The exporting of construction services to the mainland and overseas is presently minimal. With the world construction market (worth more than US$3 trillion) likely to rise because of needs for buildings and infrastructure Africa, Asia, Europe and Latin America, positioning the Tasmanian construction industry toward capturing a share of that large market would ensure not only its survival and development but also its contribution to state development.

Possible High-Impact Solutions

1. The Tasmanian Government to continue to create the environment that would enable an improvement in population and an inflow of investment in property and infrastructure into Tasmania. Building infrastructure and relationships for industries where Tasmania has natural advantages would yield long-term benefits.

2. The construction industry to make the traditional apprenticeship system responsive to the current business environment. Changes should include:

   - Training Packages that allow industry members at the local level to combine competencies into relevant vocational pathways that fit the Australian Qualifications Framework.

   - An apprenticeship system that supports competency based training and allows payment based on training outcomes.

3. The Board to continue implementing a package of entry level training initiatives to the industry statewide. Those initiatives would include:

   - Development of a careers website and support materials
   - Support for the building and civil construction vocational education and training in schools programs and its expansion into off-site construction and services
   - Support for pre-employment training
   - Implementation of the Board's Employment and Training Program which provides financial assistance to apprentice employers in areas of skill shortage.
   - Introduction of cadetships
   - Growth of the building degree program
   - Support for the Tasmanian Government's Building and Construction Training Policy which requires 20 percent of the labour hours on major state government construction projects to be done by apprentices or trainees
   - Work with Board members on the National Industry Skills Initiative

4. The Board to work with the government agencies and the authorised body regarding the training implications of the Building Act 2000. The accreditation of architects, builders, engineers and surveyors under the Act would require a Certificate IV or higher qualifications and continuing professional development.

5. Leadership and facilitation by the Tasmanian Government of an industry alliance for winning long-term contracts to deliver construction products and services to customers on the mainland and in other countries. Building relationships with government and non-government customers overseas will be instrumental not only in raising the capabilities of that construction industry alliance but also in exploring construction projects outside Tasmania over several years. For example, China builds about 15,000,000 new houses a year and pledged to spend US$20 billion in the lead up to the 2008 Olympics in Beijing. A slice of that market would have a impact on the industry in Tasmania.

U:\Users\0tbcitb\06Ind\6-08\FORECAST\
Business Activity and Entry Level Training in the Tasmanian Construction Industry 2002.doc