



**MASTER BUILDERS
AUSTRALIA**

Senate Inquiry into Current and Future Skill Needs

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RECOMMENDATIONS

Master Builders Australia welcomes the opportunity to place a number of recommendations to the Inquiry with regard to current and future skill needs.

Summary of Recommendations:

1. Master Builders recommends that nationally consistent tax relief for apprentices and trainees, particularly in regard to workers compensation and payroll tax be put in place
2. Master Builders recommends that government should provide equitable employer incentives which recognise the differences in the vocations in the industry compared to other industries. These incentives should also recognise the significant weight of pastoral care that is required to take care of apprentices and trainees, particularly in regional Australia.
3. Master Builders recommends that Group Training Companies and direct indentured apprentices be supported through tax relief measures so that both methods of engagement can be pathways for new apprentices.
4. Master Builders recommends that all governments should include apprenticeship ratios in their contract specifications on government funded projects.
5. Master Builders recommends that the Commonwealth and State governments work closely together to eliminate the inefficiencies that exist across state boundaries.
6. Master Builders recommends that Government and industry should provide the Australian National Training Authority with tenure to develop Australia's vocational education and training system. Similarly, the training administration processes need to be reviewed to eliminate the red tape that exists in investing in training.
7. Master Builders recommends that an effective industry training advisory system must be in place to ensure that it has a national focus in terms of the development and implementation of nationally consistent National Training Packages.
8. Master Builders recommends that the education and training system must provide workers and students with the ability to maximise their potential and equip them to develop skills and experience which are relevant to industry needs by ensuring National Training Packages are flexible and funded accordingly.

9. Master Builders recommends that government, in concert with industry, must 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.
10. Master Builders recommends that all training activities and programs must meet the needs of industry and not those of the deliverers of such programs, be they public or private.
11. Master Builders recommends that governments must ensure that user choice in the development of competencies, whether that be through TAFE, Skill Centres, enterprise specific training, Association provided training or a mix of any or all of these vehicles is available. The system should also allow third party access to public assets with a competitively neutral policy applying.
12. Master Builders recommends that Governments should provide additional resources to facilitate a broader take up of VET in schools.
13. Master Builders recommends that Government and industry must work together to overcome the objections of unions to school/industry programs.
14. Master Builders recommends that the training and employment system must provide a multi entry and multi exit pathway for workers and students to pursue career paths which match the needs of individuals and enterprises. In this regard, national training packages need to be delivered in a variety of ways that provide learners with a kit bag of skills that can immediately be applied on the job.
15. Master Builders recommends governments must recommit to ensuring national consistency in both employment and training requirements that match the approved National Training Framework and underpinning Training Packages
16. Master Builders recommends that Governments must work with the industry to investigate and promote ways of providing training via distance education and through on-line techniques.
17. Master Builders recommends that action be taken to ensure that careers advice is contemporary and fosters industry education partnerships that create on-going opportunities for students to select and develop careers.
18. Master Builders recommends that government and industry must engage in forecasting activities that can provide intelligence on movements in the labour force that require refinement of existing industry plans and training, education and employment interventions.

INTRODUCTION

Master Builders Australia welcomes the opportunity to make a submission to the Senate Inquiry into Current and Future Skill Needs.

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.

The building and construction industry in Australia contributes almost \$70 billion of activity annually. It has approximately 210,000 businesses and 440,000 specialist trades businesses operating within it, employing some 719,000 persons.

Housing construction is the largest of the three distinct sectors within the industry, undertaking work amounting to around \$30 billion; followed by civil and engineering construction with a turnover of some \$22 billion; and commercial and industrial construction at around \$15 billion.

Ninety-five percent of all businesses in the building and construction industry employ less than 5 people, while less than 1% have 20 or more employees.

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.

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 and economic legislative arrangements.

These changes necessitate a focus on the development of a more adaptable and skilled workforce. To this end Master Builders and its members have established the following broad policy statement to ensure we have structures in place to deliver such a skilled workforce now and into the future

Master Builders Education & Training Policy

Master Builders believes that the Australian education, training and employment system should:

- provide workers and students 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

- ensure careers advice is contemporary and fosters industry education partnerships that create on-going opportunities for students to select and develop careers
- provide equitable employer incentives which also recognise the significant weight of pastoral care that is required to take care of apprentices and trainees
- provide a multi entry and multi exit pathway for workers and students to pursue career paths which match the needs of individuals and enterprises. In this regard, national training packages need to be delivered in a variety of ways that provide learners with a kit bag of skills that can immediately be applied on the job
- provide user choice in the development of competencies, whether that be through TAFE, Skill Centres, enterprise specific training, Associations provided training or a mix of any or all of these vehicles. The system should also allow third party access to public assets with a competitive neutrality policy applying
- 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
- engage in forecasting activities that can provide intelligence on movements in the labour force that require refinement of existing industry plans and training, education and employment interventions
- provide the Australian National Training Authority with tenure to develop Australia's vocational education and training system
- provide training that meets the needs of industry and not the needs of those which deliver such programs, be they public or private
- provide an equitable formula for trainee/apprentice wages which is underpinned by a career structure based on the acquisition of skills from nationally recognised competencies
- make available flexible training contracts for both the present trade apprenticeship system to the whole industry and a reduction in the contract period to more commercially acceptable outcomes for business based on competency based training outcomes
- upgrade the existing apprenticeship and traineeship system and develop additional entry level training arrangements that better reflect the needs of industry

- modify the present secondary school system to include greater emphasis on the development of vocational competencies and better links between school and industry
- provide appropriate tertiary level courses to ensure that they are practical and relevant to the building and construction industry and match the overall National Training Framework for the industry.

TERM OF REFERENCE # 1

Areas of skill shortage and labour demand in different areas and locations, with particular emphasis on projecting future skills requirements

Master Builders has been working with the Commonwealth, as part of the National Industry Skills Initiative (NISI), to attempt to identify the critical issues that determine labour demand and consequently the potential level of skill demand and any resulting shortages.

As part of that work Master Builders has commissioned the National Centre for Vocational Education Research (NCVER) to undertake research including a major survey to determine the views of employers in relation to apprenticeship training.

The report is not yet available publicly however statistics from the Report are used in this submission.

Both private and public sectors participate actively in the Australian building and construction industry. In terms of project ownership, the division of overall activity was about 70% private to 30% public in 2000-2001. The three main areas of activity are domestic housing construction, non-residential building construction, and civil engineering projects such as the building of roads, railways, telecommunications, pipelines and the like.

Changes in these relative proportions have a direct influence on apprenticeship trends within the industry.

Building and construction activity levels also tend to follow overall levels of economic activity with the result that the industry experiences periodic difficulties in relation to the supply of skills and labour. For example the unsustainably high levels of building and construction activity stimulated prior to the Olympic Games in Sydney, the collapse of the HIH Insurance group, and recent trends in stock markets are all factors that contributed to diminishing business confidence and influenced employment decisions.

In addition to being more sensitive to fluctuations in economic activity than most industries, the occupational structure of the building and construction industry is very different from the workforce as a whole. Whereas 13% of the overall labour force are classified as tradespersons or related workers, over 60% of building and construction workers are classified as such. 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.

Apprenticeships

In a variety of forms the apprenticeship system has operated in Australia since the early 1800's. Traineeships, a separate entry-level category of training for a more extensive range of occupations and participants, were introduced in 1985. From 1 January 1998, the two were merged to form a unified national system, ostensibly to be more inclusive in terms of occupational areas covered and more appealing to a broader spectrum of the population. Whilst most entry level skills training programs in the building and construction trades follow the traditional apprenticeship pathway involving a four year apprenticeship contract, leading to a Certificate III qualification, evidence would suggest that shorter contracts of training in specialist vocations are fast becoming in demand by individual firms. These trends are primarily related to the sub-contract system and the specialisation of these firms.

Research would suggest that larger firms are much more likely to employ apprentices with 87% of all apprentices employed by medium and large firms. About seven in 10 of all apprentices were employed directly with the remainder being hosted through a Group Training Company. This suggests that recent changes to New Apprenticeships may not be doing enough to attract smaller employers to recruit apprentices.

Less than half of small businesses employ an apprentice.

1. *Master Builders recommends that nationally consistent tax relief for apprentices and trainees, particularly in regard to workers compensation and payroll tax be put in place*

Employers overwhelmingly view training apprentices as a good way to bring new skills into the industry and that more apprentices are needed. Employers also believe that it is difficult to find good people and that young people should do some vocational subjects at school.

An analysis of trends in apprenticeships in the Australian building and construction industry over the five-year period 1996 to 2001 has been undertaken. The analyses are based on data provided by the Australian Bureau of Statistics (ABS) and the Department of Employment and Workplace Relations (DEWR), and information previously published by NCVET in *Skill trends in the building and construction trades, Australian apprenticeships: facts, fiction and future, Apprenticeship training in the building and construction industry*.

The trades to be considered and their four-digit Australian Standard Classification of Occupations (ASCO) codes are listed in Table 1.

Table 1: Employment in the building and construction industry

Building and construction industry	Employees ('000)	
	Nov '01	Growth ¹ '01 (%)
Carpentry and joinery tradespersons	95.1	21.4
Fibrous plasterers	25.3	5.7
Roof slaters and tilers	12.0	2.7
Bricklayers	27.7	6.2
Solid plasterers	2.9	0.7
Wall and floor tilers and stonemasons	20.4	4.6
Painters and decorators	39.9	9.0
Sign writers	4.4	1.0
Floor finishers	13.7	3.1
Plumbers	54.0	12.1
Mobile construction plant operators	51.9	11.7
Crane, hoist and lift operators	10.7	2.4
Structural steel construction workers	10.7	2.4
Earthmoving labourers	4.1	0.9
Paving and surfacing labourers	7.5	1.7
Survey hands	1.6	0.4
Construction and plumber's assistants	40.7	9.1
Concreters	22.3	5.0
All building and construction trades and occupations	444.9	100.0
All building and construction employees	711.8	-
National workforce	9,190.3	-

Source: *NCVER 2001a, NCVER, March 2002 and ABS 6203.0*

1 = average annual compound growth rate February 1999 – November 2001

Jobs in the building and construction industry are usually classified as either trades or non-trade on-site occupations as listed in Table 1. Total employment in the construction trades workforce was around 286,000 people in February 2001, making it the largest employer of the trades groups. This amounted to some 3.2% of all employment in Australia and accounted for about a quarter (24.2%) of total trades. At this time, more than 61% of construction tradespersons were in structural construction trades, 19.5% were final finishes construction tradespersons and 19.2% were plumbers. The largest single construction trades occupation was carpentry and joinery, accounting for around one-third (31.2%) of the total construction trades workforce followed by plumbers (19.2%) and painters and decorators (14.3%).

In addition, 155,800 people were employed in the main non-trade on-site construction occupations, representing 1.7% of total employment. The largest occupations in this group were mobile construction plant operators (34.7%), construction and plumbers assistants (24.3%) and concreters (15.7%). These three occupations accounted for around 75% of non-trade on-site construction employment.

Table 2: Employee numbers by occupational category, November 2001

Occupational category	Building and construction		All employees	
	Employees ('000)	(%)	Employees ('000)	(%)
Managers and administrators	54.6	7.7	737.1	8.0
Professionals	25.5	3.6	1,681.2	18.3
Associate professionals	42.9	6.0	1,089.7	11.9
Tradespersons and related workers	362.5	50.9	1,177.3	12.8
Advanced clerical and service workers	42.6	6.0	388.3	4.2
Intermediate clerical sales and service workers	33.0	4.6	1,575.2	17.1
Intermediate production and transport workers	66.3	9.3	788.9	8.6
Elementary clerical sales and service workers	4.0	0.6	915.5	10.0
Labourers and related workers	80.3	11.3	837.1	9.1
Total employees	711.8	100.0	9,190.3	100.0

Source: (ABS Cat No 6203.0)

As shown in Table 2, the proportion of professionals and associate professionals, principally individuals with tertiary qualifications, is considerably lower in the construction industry, 9.6% compared to 30.2% of all employees. On the other hand, tradespersons account for more than half of building and construction employees but only one-eighth of all employees. There are also striking differences between the proportions of clerical sales and service workers at intermediate and elementary levels. Less than one per cent of building and construction employees are employed in elementary clerical sales and service compared with 10% of the national workforce, and less than five per cent of building and construction employees are employed in intermediate clerical sales and service compared with 17% of the national workforce.

The numbers of apprentices in the building and construction industry over the period 1996-2001 are summarised by their stage in the apprenticeship cycle in Table 3.

Table 3: Numbers of apprentices in the building and construction industry by training activity, 1996-2001

	1996	1997	1998	1999	2000	2001	GR ₅	GR ₁
Numbers in training	25,249	24,839	25,487	29,497	33,373	33,674	5.9	0.9
Commencements	7,852	8,998	11,409	14,187	13,727	12,074	9.0	-12.0
Completions	5,245	6,195	6,408	5,238	4,832	5,781	2.0	19.6

Source: NCVET March 2002 estimates
 GR₅ = average annual compound growth rate 1996-2001
 GR₁ = growth rate 2000-2001

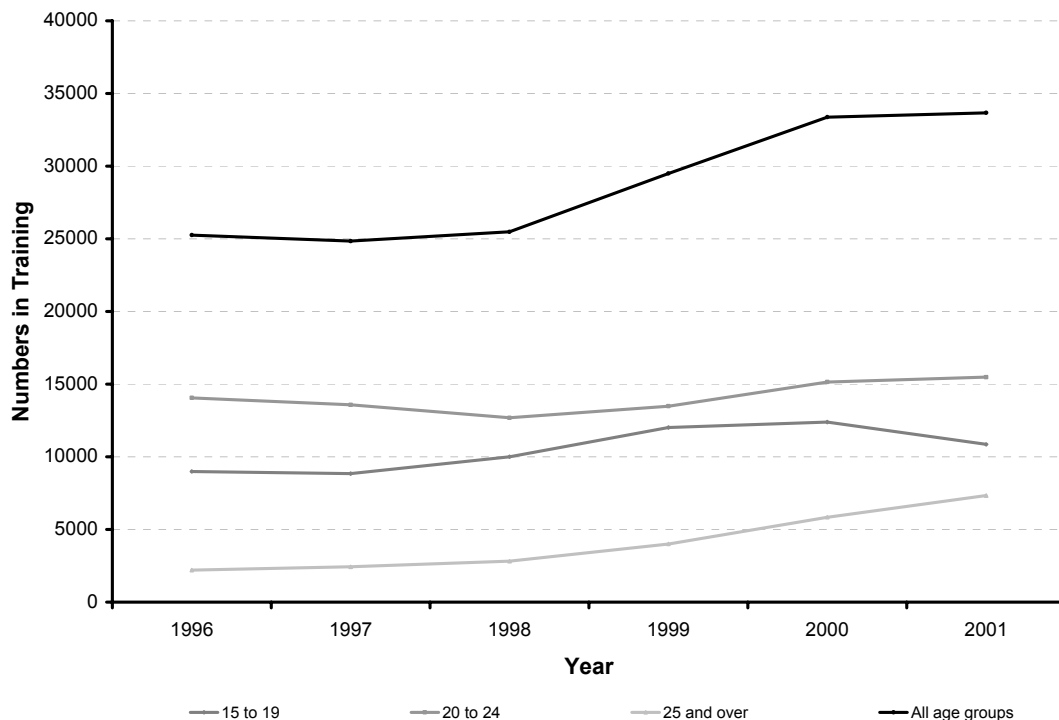
During the recession of the early 1990's apprenticeships in trades and related areas experienced a decline from the record high levels of the late 1980's. Since the mid-1990's this trend has reversed with increased growth in recent years. This increase coincides with the introduction of New Apprenticeships in 1998, which broadened the occupational base of traditional apprenticeships.

The total number of apprentices and trainees in training in building and construction trades has risen since 1996 with an annual average compound growth rate of 5.9%p.a. over the five-year period to 2001.

Decisions to enter into an apprenticeship are most influenced by the prevailing economic climate. This is understandable because the employers of the young people in training, and those completing apprenticeships, made their decision to take on apprentices up to four years earlier.

Chart 1 shows the numbers of apprentices in training in the building and construction industry over the five-year period 1996-2001 by three main age groups.

Chart 1: Building and construction industry, numbers in training by age group, 1996-2001

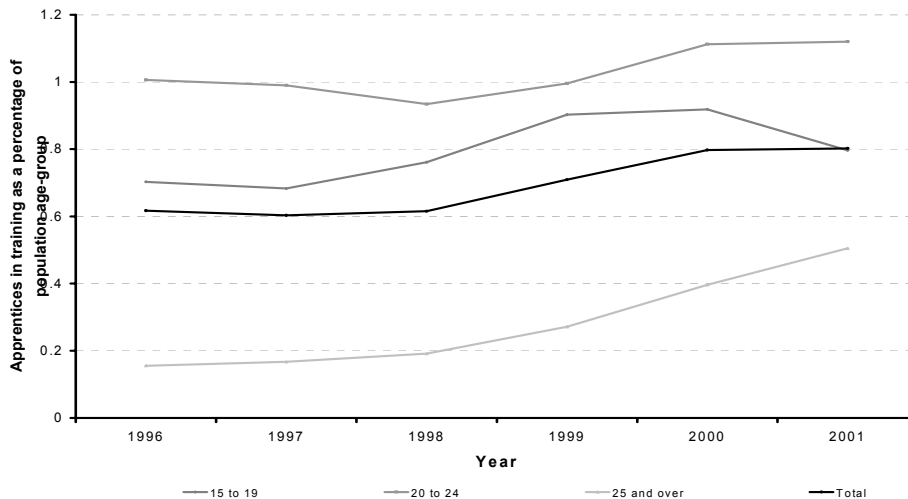


Source: NCVET March 2002 estimates

These numbers should be assessed with reference to fluctuations in the relevant age cohort in the Australian population.

Over the period in question, there was a sustained increase in the population aged 15-19, a smaller increase in the population aged 25-29 and a fall in the population aged 20-24.

Chart 2: Apprentices in training as a proportion of the Australian population, 1996-2001



Source: NCVET March 2002 estimates

Chart 2 confirms that in the building and construction industry there has been an overall real increase in participation in apprenticeship training since 1998. The proportions have increased in all categories, notwithstanding the 2000-2001 decrease in the participation of 15-19 year-olds.

Whilst the figures on the surface would suggest that there has been an increase in apprenticeship numbers, this is not necessarily the case across the nation as there are significant pockets of drops in traditional apprenticeship numbers. For example, the WA TAFE system has indicated that there has been a 55% drop in traditional building apprenticeship numbers over the past five years.

Whilst there are a number of structural reasons why it is difficult to offer apprenticeships in the building and construction industry, most notably being the ever increasing move towards specialization and the use of small specialist subcontractors, one of the problems which has been identified is the funding policy at federal government level.

The employer receives payment of \$1250 for every employee who enters into a contract of training, irrespective of the level which the contract of training is designed to achieve, and receives a further \$1250 upon an employee attaining qualifications equivalent to AQF 2 level. These employer incentives apply across all industries and thus do not take account of the different skill requirements of industry.

For example the incentive arrangements might be adequate for industries where AQF 2 level qualifications are generally all that is required but are totally inadequate for industries such as the building and construction industry which require a commitment to provide training up to a higher level.

Master Builders is also concerned that whilst the incentives regime needs to be more equitable, it is also important that any incentive system is made known to employers particularly in regional Australia.

- 2. Master Builders recommends that government should provide equitable employer incentives which recognise the differences in the vocations in the industry compared to other industries. These incentives should also recognise the significant weight of pastoral care that is required to take care of apprentices and trainees, particularly in regional Australia.**

The introduction of industry training funds in a number of states has generally assisted in reducing the cost of employment of apprentices, however these funds are not available in areas where there is significant industry activity, namely New South Wales and Victoria. Such funds are essential to spread the cost of training our skill base.

Group training companies have taken up some of the reduction in direct employment of apprentices in the industry. Currently approximately 33% of existing apprentices are employed in this way. Whilst the high cost of running effective group training companies is partially offset by some funds, most employers continue to challenge what they perceive to be the high cost of the apprentices.

- 3. Master Builders recommends that Group Training Companies and direct indentured apprentices be supported through tax relief measures so that both methods of engagement can be pathways for new apprentices.**

Some government agencies have addressed the issue of Governments outsourcing their work. For example, Queensland has announced that an additional fully funded 500 apprentices and 6,000 trainees will be employed directly over a period of 3 years in areas of skill shortage.

Any strategy to increase the uptake of apprentices should include the development of advertising campaigns and/or a major drive to promote school based apprenticeships and traineeships involving group training companies will have an important role in play in such arrangements.

It may be appropriate that governments should include apprenticeship ratios in their contract specifications on public projects – this would create a level playing field when tendering. However this provision, whilst in place in various government contracts, is not properly enforced and needs to be appropriately managed following consultation with industry stakeholders.

4. Master Builders recommends that all governments should include apprenticeship ratios in their contract specifications on government funded projects.

In order to provide for a more flexible training arrangement we suggest that there would be opportunities for the provision of a portion of the training full time up-front, similar to the former Master Builders Build-a-Job program. This would enable trainees to develop a kit bag of skills which would make them immediately productive on site and also reduce the amount of off site training, which would certainly suit employers who always complain that the trainees are away from the job too often.

TERM OF REFERENCE # 2

The effectiveness of current Commonwealth, State and Territory education, training and employment policies and programs and mechanisms for meeting current and future skill needs, and any recommended improvements.

Master Builders participates on a number of key Federal and State government and industry bodies that influence the direction of training requirements and programs within the industry. These include the Australian National Training Authority (ANTA), the Industry Training Advisory Boards (ITABs), the Training Provider Network and various school/industry committees that have been formed to facilitate Vocational Education and Training (VET) in schools.

The industry's ultimate stability depends upon establishing a structure which provides secure career path opportunities for its workforce. The system must promote flexibility for employers and trainees alike, to encourage choice in education and training options which best meets specific industry, company and individual needs.

Development of the industry's human resources through training must be a high priority. Training strategies must reflect the interdependence of all sectors of the industry and be transferable across sectors, whether housing, commercial/industrial, civil engineering, manufacturing, supply or specialist contracting. The industry needs to establish a structure that provides secure career path opportunities for building workers that will ultimately give stability to the industry.

As such the education and training system must meet industry needs, be demand driven, and maximise the potential of current and future employees.

Master Builders also believes that there is a need to continue to develop an all-of-government policy on education and training. The duplication that exists across Australia's national training system has been the catalyst for the development of an ineffective 'training industry'. It is essential that the Commonwealth and State governments work closely together to eliminate the inefficiencies that exist across state boundaries. For example, the development of the National Training Packages, whilst signed off by all State and Territory governments have to date not been fully implemented across all jurisdictions.

5. Master Builders recommends that the Commonwealth and State governments work closely together to eliminate the inefficiencies that exist across state boundaries

Also the constant training review process has given rise to great confusion for those who wish to access the system and of course the products and programs that the system creates. Master Builders is of the view that the constant change of requirements arising from the imperatives of the Australian National Training

Framework overseen by ANTA has, in itself, created on-going confusion and frustration. Our view is that the structural makeup of ANTA and its constant subjugation by its “owners” creates this difficulty.

It is also important to note that many micro businesses are steering clear of the process of employing an apprentice because of the significant amount of red tape that prevails at both Commonwealth and State Government levels.

- 6. *Master Builders recommends that Government and industry should provide the Australian National Training Authority with tenure to develop Australia’s vocational education and training system. Similarly, the training administration processes need to be reviewed to eliminate the red tape that exists in investing in training.***

Industry Training Advisory Boards

Master Builders believes that there should be a robust advisory structure to both State and Commonwealth governments in order to ensure that policies and programs that are developed meet the needs of the employers and those participating in training.

The Industry Training Advisory structure has been hampered by its inability to harness industry players to not only sit on the committees but also to develop contemporary training policies and practices that meet industry’s needs. Indeed the structural makeup of some of the committees within the advisory structures are in some cases fatally flawed because they contain representatives that have little or no relationship to the activities of the industry, particularly at an employer level.

There is also a vast gulf between those structures that have significant resources, and those that are limited to one or two people, as is the case of the New South Wales ITAB. In other jurisdictions there are either no other ITABS or ITABS that are dominated by one group, in one case the union movement and in another case the training provider network. This lack of proper structure means that the training that is developed is developed along the lines of supporting that particular constituent rather than developing programs for the good of the industry overall.

Master Builders believes that the industry training advisory system requires a restructure, not an arranged marriage, to ensure that it has a national focus in terms of the development and implementation of nationally consistent National Training Packages. The revised structure should be driven by a national advisory board and, State and Territory structures be part of the national body as it was, when first established in 1974.

The existing structure, whilst recognizing State differences, is not well served by the current lack of unity, between the various State and Territory advisory groups and resources provided by both State and Commonwealth governments are not sufficient to undertake the important work of these groups.

- 7. Master Builders recommends that an effective industry training advisory system must be in place to ensure that it has a national focus in terms of the development and implementation of nationally consistent National Training Packages.**

The development of National Training Packages, by the industry training advisory network, has been hampered by the existence of an ever increasingly specialised workforce under the subcontracting system of construction which is not recognized by the rigid bureaucratic approach of ANTA.

As such, Master Builders believes that Governments must recommit to flexibility within National Training Packages and fund them accordingly.

- 8. Master Builders recommends that the education and training system must provide workers and students with the ability to maximise their potential and equip them to develop skills and experience which are relevant to industry needs by ensuring National Training Packages are flexible and funded accordingly.**

This should also include the development and implementation of an integrated national training framework that enables employees and employers alike can marry competencies with an individual's needs and aspirations and a company's requirements.

It is essential that all industry stakeholders consistently follow the approved National Training Framework and that advice to Government, advisory bodies and training providers be consistent with that framework.

In particular, national consistency of assessment of competencies and the ultimate accreditation and certification system must be in place and not diluted by State and Territory imperatives.

- 9. Master Builders recommends that government, in concert with industry, must 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.**

User Choice

The User Choice policy was developed to encourage a direct relationship between training providers and clients, namely employers and employees and State and Territory Ministers agreed that full implementation should take effect nationally from 1 January 1998.

The introduction of User Choice has not been successful insofar as some State and Territory governments have failed to provide the true user choice model based on their perceived need to protect the traditional public providers of training. Master Builders is of the view that the dilution of user choice is more about protecting entrenched providers of programs rather than providing flexible market driven arrangements.

10. Master Builders recommends that all training activities and programs must meet the needs of industry and not those of the deliverers of such programs, be they public or private.

There is a widespread perception amongst employers that they are not always getting the choices they should have, or the information they are entitled to under the policy.

A weakening of the User Choice arrangement, or a failure to fully implement those arrangements will only lead to a lessening of demand. Employers may begin to withdraw from an engagement in training if their role and influence is diminished.

If employers and their trainees are to have flexible and innovative training options then Governments should fully embrace the user choice arrangements that were agreed by Ministers.

On the other hand, some of the private providers are not contributing the level of service required and in some instances the quality of the teaching staff is questionable. This would also suggest that quality assurance arrangements may not be as robust as they should be.

Master Builders calls for governments to recommit to User Choice arrangements and allow the market to determine the most effective way to meet the training demands of individuals and their trainees.

11. Master Builders recommends that governments must ensure that user choice in the development of competencies, whether that be through TAFE, Skill Centres, enterprise specific training, Association provided training or a mix of any or all of these vehicles is available. The system should also allow third party access to public assets with a competitively neutral policy applying.

School & Industry Relations

Master Builders supports the development of an effective and close-relationship between industry and schools to ensure multiple pathways are available for students to pursue careers which match their needs with that of their potential or current employer.

National Training Packages therefore need to be delivered and funded in a way that provides students with skills that enable them to be productive immediately on the job.

Master Builders has for the past three years, worked with the Commonwealth Government and various schools to offer VET in the construction industry.

Master Builders believes that the Construction VET in Schools program has enormous potential to address many of the skills, recruitment and training shortcomings, which are evident in the building and construction industry.

The Construction VET is achieving excellent outcomes and is a positive demonstration of how industry and the education authorities can work in partnership to achieve a better skilled and motivated workforce for the industry.

The program has not yet realised anywhere near its full potential of encouraging students and apprentices to undertake tertiary studies or recruiting new and dedicated recruits into the building and construction industry.

Given the significant benefits flowing on to all the stakeholders in the VET program the Government should provide additional resources to facilitate a broader take up of VET in schools.

12. Master Builders recommends that Governments should provide additional resources to facilitate a broader take up of VET in schools.

Government and industry must also work together to overcome the objections of the union movement to such programs who view such arrangements as a threat to their members who came through their training in the “traditional way”. They argue that occupational health and safety issues should preclude such arrangements.

13. Master Builders recommends that Government and industry must work together to overcome the objections of unions to school/industry programs.

To take this issue to its ultimate conclusion requires government to also consider a range of specific issues, including:

- an equitable formula for trainee/apprentice wages which is underpinned by a career structure based on the acquisition of skills from nationally recognised competencies;
- the extension of training contracts from the present trade apprenticeship system to the whole industry and the reduction in the contract period to more commercially acceptable times for business.

- the upgrading of the existing apprenticeship and traineeship system and development of additional entry level training arrangements that better reflect the needs of industry;
- modification of the present secondary school system to include greater emphasis on the development of vocational competencies and better links between school and industry;
- integration of cross-industry, industry and enterprise-specific competencies;
- the monitoring and modification of tertiary level courses to ensure that it is relevant to the building and construction industry;
- the inclusion of business competencies in all training courses including school based training programs training courses.
- integration of new technologies and information technology skills in all levels of training.

14. Master Builders recommends that the training and employment system must provide a multi entry and multi exit pathway for workers and students to pursue career paths which match the needs of individuals and enterprises. In this regard, national training packages need to be delivered in a variety of ways that provide learners with a kit bag of skills that can immediately be applied on the job.

Master Builders believes that to facilitate such arrangements require a proper payment structure based upon the following principles to be urgently put in place:

- Wage rates should be based upon an equitable treatment of employees undertaking formal training based upon the nature of the training they are undertaking and their relevant work experience, not based upon the outcome to which any particular form of training being undertaken is directed.
- New apprenticeship wage rates must be broadly comparable to current apprenticeship and traineeship rates in each State and Territory, taking into account the relative skill levels between traditional and new apprenticeships at their respective various stages.
- Wage rates applicable to employees undergoing formal training should be based upon a combination of qualifications attained and work experience.
- The wage rates should be structured to recognise and provide incentive for the attainment of formal qualifications prior to commencing employment. This must be linked to skill levels upon commencement of employment.

National Consistency

The development of programs and services that are nationally consistent in competencies required, delivery processes, assessment and cost to the end user is of fundamental importance.

National consistency must include:

- a common set of management and technical training packages that are capable of being delivered in all States and Territories. Any regional variations should be limited only in so much as to cater for the specifics of local industry.
 - industry control of training and employment
 - nationally consistent assessment of competencies and nationally consistent accreditation and certification of these competencies against the National Training Framework.
 - nationally consistent training materials, including handouts for both trainer and course participants.
15. ***Master Builders recommends governments must recommit to ensuring national consistency in both employment and training requirements that match the approved National Training Framework and underpinning Training Packages***

TERM OF REFERENCE # 3

The effectiveness of industry strategies to meet current and emerging skill needs.

Master Builders believes that isolated strategies to address skill needs cannot be managed by industry stakeholders or government acting alone, but must be managed through a genuine partnership. This partnership must ultimately deliver what industry requires in both a practical and realistic sense. In addition to the strategies which have already been discussed in this submission, such as NISI, industry has focussed on the following activities:

- changes to existing employer incentives and a proposed learning bonus for existing workers;
- innovative approaches to New Apprenticeships and VET more broadly;
- the development of the *Employability Skills Framework*; and
- vocational education and training schools.

There are still primary problems associated with matching the needs of industry to the imperatives of Commonwealth and State/Territory Administrations in regard to:

- difficulties in implementing a nationally consistent training system when State/Territories, as drivers of the training system, fail to implement fully agreed National Training Packages
- the constant training revision process that has caused employers and trainees to have packages and products available for those that wish to access the education and training system
- extensive delays and associated 'red tape' in achieving and maintaining Registered Training Organisation status
- the inability of the industry to attract apprentices.

Master Builders believes that the three main principle drivers of apprentice employment in the building and construction industry are:

- Firm size;
- Labour market structure; and
- Business cycle.

Other factors such as the use of Group Training Companies, incentives and the amount of supervision required to take on an apprentice also have some bearing of apprentice employment.

In the discussion of these factors the figures quoted in the following pages refer to a survey conducted by NCVET on behalf of Master Builders.

Firm size

Enterprise size is strongly associated with both diversity and volume of training.

This suggests that changes to New Apprenticeships may not be doing enough to attract smaller employers to recruit apprentices.

Small firms were less likely to employ apprentices directly with about a third (31%) of micro businesses (2-4 employees) directly employed an apprentice, compared with (41%) of medium (5-19) and just over half (54%) of larger firms (20+).

Non-trainers are predominantly very small businesses. Over half (54%) are either sole traders or firms with fewer than five employees. Traditional trainers are more evenly spread across firms with 23% in micro businesses, 40% in medium size firms and 37% in larger businesses. Recent trainers are more likely to be micro businesses (53%).

Firm size also correlates closely with uptake of apprentices and larger employers were more likely to think they got better skilled workers by employing apprentices (12%) than micro-businesses (6%).

Labour market structure

Mitigating factors in future recruitment include both lack of work and the “type” of work. These two factors relate closely to the structure of the industry, which is made up largely of small contractors in a volatile market dominated by short contract cycles. In addition, the type of work in the industry requires high level skill, which makes it difficult to employ inexperienced and unskilled labour.

The industry is one where firms mainly engage in short term contracts (67%). Sole traders (22%), micro businesses (37%) and non-trainers (41%) were even less likely to engage in long term contracts and as a result would have to contend with an even more volatile working environment.

Of those who did not employ apprentices, over a half (54%) cited the “nature of work” as a reason for not taking on apprentices, while their capacity to expand (“Business is too small” and “I have just started business”) had an influence. Overwhelmingly the factor most likely to influence the decision to take on an apprentice in the future was an increase in workload with six in 10 (60%) responding positively.

Business cycle

Economic cycles are a key driver of employer uptake of apprentices. This is particularly evident for employers who have recently taken on apprentices over half (53%) of whom did so to get new labour, and for those who have not taken on apprentices at all, six in 10 (60%) of whom said they would if they had more work.

Recent trainers seemed to be more likely to be motivated by economic and labour market reasons than altruistic or other reasons. They were concerned to see their labour supply maintained, although about one in six recent trainers were also keen to put something back into the industry.

Traditional trainers appeared to be more strongly motivated by economic and labour market reasons compared with recent trainers and significantly more so than for altruistic reasons, although traditional trainers did want to put something back into the industry (41%). Slightly more employers in this group also thought apprentices were a cost-effective source of labour (10% compared to 4% for recent trainers). Traditional trainers tend to recognise the intrinsic economic benefit of employing apprentices to their business (and industry) compared with recent trainers which still may be coming to grips with the benefits of employing apprentices.

For traditional employers of apprentices, the capacity to train to their own requirements with their own culture were also important factors "train them in the company way" (38%), "establishing loyal workers" (12%) and providing an "investment in the future" (12%).

The main benefits of taking on an apprentice were seen as the capacity for flexible and customised training ("train to suit the way I work": 50%), followed some considerable way behind by "an ongoing investment in the industry" (20%). These responses were similar across all firm sizes with the ongoing investment in the industry slightly more important to larger firms and the cost-effective source of labour slightly more important to smaller firms.

Financial incentives

Historical data indicates that financial incentives do have a positive influence on the behaviour of firms regarding the employment of apprentices (NCVER:2001). When respondents were presented with the statement "current financial incentives are sufficient", employers were split. Recent trainers generally agreed, with 52% stating that the financial incentives are enough to take on an apprentice. On the other hand, traditional trainers and non-trainers disagreed, with only 37% and 38% respectively agreeing that financial incentives are enough to take on apprentices. Existing trainers while very positive about the need to train apprentices nevertheless viewed apprentices as expensive with one in eight trainers (13%) reporting that apprentices 'cost you money'.

Given the views reported by employers, it would appear there is scope for a more targeted incentive regime aimed at new and prospective (some of these may have been lapsed trainers) employers. Such a scheme may have dividends in the immediate future.

The Use of Group Training Companies

While the report does not focus on the behaviour of Group Training Companies, it does provide useful information on the extent of Group Training usage by businesses.

It seems that for most employers the experience of using a GTC is a bit mixed. The most preferred method of employment is to directly employ an apprentice (70%), yet overall around 66% indicated that "Group Training Companies are a good way of taking on an apprentice".

In terms of industry structure, one feature of the building and construction industry is the high proportion of small firms – around three in 10 have less than 5 employees. Given the structure of the industry it is surprising to see that larger firms are more likely to employ an apprentice through a Group Training Company than smaller firms. This is even more surprising given that one of the aims of Group Training Companies is to facilitate participation in the apprenticeship system by small enterprises.

It is clear that Group Training Companies have become a significant 'player' in the employment of apprentices within the industry. As a result, the role and extent of Group Training Companies should be examined to see if there is greater capacity to assist small and medium size firms to employ apprentices in the building and construction sector. Currently, only 18% of micro businesses use Group Training Companies compared to 23% of medium and a third of larger companies (35%).

Whilst the Group Training Companies have become a greater player in provision of training and employment to apprentices, there must be a balance between Group Training Companies and direct indentured apprentices. For example, it is important that Group Training Companies do not receive operational advantage through, for example, incentives that would disadvantage a company utilising a direct indentured apprentice.

Master Builders, in recognising that Group Training Companies have an important role to play, believe it is imperative that these companies operate in a cost effective way that ensures that the needs of both apprentice and host employer are met.

Apprentice supervision and training

Many of the barriers to and perceived disadvantages in employing apprentices seemed related to their management cost. This perception was consistent across firm size and between recent and traditional trainers with 22% of

employers with the view that "time the apprentice spends away from work at TAFE" is costing the firm money. Twenty one per cent thought they took "a lot of supervision" and nineteen per cent thought "apprentices do not have skills in early years to be of much use".

It is apparent also from the survey that many employers consider that young people often receive inadequate preparation at school for entry to an apprenticeship.

It was also apparent that most tradesmen involved in managing apprentices have not had any specific training in this role. Most employers regarded such training as unnecessary, often on the basis that the tradesmen had been apprentices once themselves. The survey found, for example, that three-quarters thought that their "tradesmen know how to get the best out of apprentices", although around seven in 10 did recognise that by training tradesmen to help apprentices would improve things. It does seem therefore that such training has a positive impact on training practices.

The survey results also suggest that of the recent and traditional trainers around half (54%) often had meetings with their apprentices, while another 42% sometimes met with their apprentices. It is likely that improved levels of support for apprentice supervisors in the area of managing apprentices and other training in the industry would improve the ability of supervising tradesmen to relate to young people and provide specific skills in reviewing progress.

TERM OF REFERENCE #4

The performance and capacity of Job Network to match skills availability with labour-market needs on a regional basis and the need for improvements Job Network

Throughout recent work by Master Builders on labour market needs, it is clear that the issue of location is of concern to employers, trainees and their parents and has been shown to limit career opportunities.

Community organisations and government agencies should be encouraged to develop training mechanisms to make it possible for people to remain within their communities. For example, local councils, chambers of commerce and similar organisations might consider cooperative arrangements that provide training and employment opportunities in these regions.

Training flexibility in providing distance training, particularly through new electronic media, provides an opportunity to support training in regional and rural area.

16. Master Builders recommends that Governments must work with the industry to investigate and promote ways of providing training via distance education and through on-line techniques.

In regard to the move to a private Job Network arrangement, it has taken time to bed down these arrangements yet there continues to be room for improvement in the following areas:

- some operators lack an intimate understanding of vocations in the building and construction industry and in some cases rely on organisations such as Master Builders to provide advice, which is not always convenient
- a lack of understanding of workplace relations matters including Award classifications which has caused confusion when employers are seeking wage and condition rates
- a lack of career guidance processes and practices
- a lack of understanding of the National Training System and underpinning training package arrangements
- an inability to understand their responsibilities in regard to accreditation standing of individual trainees, where in some cases trainees have been “ticked off” as having a specific set of competencies when they clearly do not
- the need to consult with local businesses to develop an understanding of their future labour requirements and plan to meet them

- a limit to the marketing endeavours of Job Network providers. In the Report to the Commonwealth “Building Brighter Futures” this was most evident in the surveys that were carried out as part of this Report.
- 17. *Master Builders recommends that action be taken to ensure that careers advice is contemporary and fosters industry education partnerships that create on-going opportunities for students to select and develop careers.***

TERM OF REFERENCE #5

Consultation arrangements with industry, unions and the community on labour-market trends and skill demand in particular, and any recommended appropriate changes.

The current methods of collecting data for the building industry do not always offer a full or correct picture of the real situation. The existing occupational classifications used by ABS, for example, do not reflect the real break-up of the tasks carried out on a building project, nor do they reflect the very real differences between housing and commercial and civil construction.

The demands placed on apprentices working in large-scale projects, that are in an employee-based environment of the construction industry are entirely different from the demands placed on an apprentice working in the small-scale projects, through small businesses in a subcontract-based environment of the housing industry. The official statistics fail to differentiate between apprentices in the same trade working in the different sectors of the industries.

Master Builders suggests Governments develop more accurate classification systems and collection methods.

A review of current data sources relevant to the broader industry will enable the best data collection methods to be identified and gaps to be addressed. This will ensure that the right information is collected and distributed to stakeholders.

18. Master Builders recommends that government and industry must engage in forecasting activities that can provide intelligence on movements in the labour force that require refinement of existing industry plans and training, education and employment interventions.

Finally is it worth commenting that the community views the building and construction industry as dangerous, characterised by poor working conditions, low rates of pay, limited career options, and is generally unattractive. This is leading to potential new entrants to the industry pursuing careers in other industries to the detriment of the construction industry. These misconceptions need to be addressed.

The marketing of the building and construction industry has generally lacked clear direction and a national strategy is needed. This strategy should be particularly directed at correcting the misconceptions of parents, teachers and students.

It appears that the key message that the building and construction industry failed to sell was that a person could start choosing a building career through industry/schools programs. This can then lead to the development of their skills through an apprenticeship or traineeship, which in turn offers opportunities for them to start their own business.

It is therefore essential that those advising young people about their careers have the information that will enable them to provide correct advice.

For its part Master Builders is currently working with the Commonwealth to develop a marketing strategy that will sell the benefits of a career in the industry and encourage employers to invest in training.