

14 May 2002

The Secretary
Employment, Workplace Relations and Education
References Committee, Australian Senate
Suite 1.61
Parliament House
CANBERRA ACT 2600

Dear Sir,

Inquiry Into Small Business Employment

Without making a detailed submission to the Inquiry, the Building and Construction Council NSW (BACC), wishes to offer some comments on the questions under review.

To summarise our credentials, the BACC is an autonomous New South Wales-based forum, with a mission to enhance the long-term viability of the building and construction industry by facilitating cultural change. The Council was established in 1964, and currently comprises representatives of contractor associations, professional institutes, and government departments. Further details are contained in the attached leaflet, or from our internet website: www.bacc.org.au

It is well understood that the building and construction industry is a classic example of small business enterprise, with 95% of entities employing fewer than twenty people. This trend has accelerated in recent years because of the increasing use of specialist subcontractors by builders, rather than employing their own construction staff. Despite this fragmentation, the industry is one of the largest sectors of the Australian economy, representing some 6% to 7% of the total, depending on the measurement criteria.

It is typically a cyclical industry, with periodic construction booms invariably followed by a period of near-recession. Employment naturally tends to fluctuate with these variations in demand. This in turn leads to a situation where skilled workers are apt to drift out of the industry in lean times, usually never to return. Labour needs during the subsequent upturn of activity are then filled by unskilled or semi-skilled people, with dire consequences for the quality of the resulting buildings. Unhappy clients will then make insurance claims or commence litigation to rectify the most serious defects. The consumer, the industry, and the Australian economy all suffer as a result.

It is frequently advocated that governments should intervene to smooth out the peaks and troughs in the construction cycle by programming their public works to take place during the quiet periods in the commercial and residential building sectors. This

would have benefits for employment, by retaining skilled personnel in the industry. Government would benefit because prices tend to be more competitive during these periods. There would also be intangible savings for the community in the costs required for re-training or supporting people through a transition period.

Dealing particularly with those factors that are perceived directly to inhibit employment we mention the multiplicity of licensing regulations, and the costs of payroll tax and workers' compensation contributions. These issues are important for the smaller subcontracting firms because customarily they do not employ administrative or accounting staff, but must place these tasks in the hands of outside specialists. The considerable additional costs that are incurred would be better devoted to productive building workers.

The Building and Construction Council had planned to convene a public meeting of industry practitioners in order to glean further input for this submission, but regrettably time constraints have made this impossible. The Council itself is a small business enterprise, with very limited resources.

The views expressed represent a collation of statements made by association representatives at our last Council meeting. Members of Council would be willing to elaborate on these points before the Senate Committee if asked to do so.

Yours sincerely,

Dr Peter J. Tyler
EXECUTIVE DIRECTOR