



SUBMISSION BY THE

HOUSING INDUSTRY ASSOCIATION

TO THE

SENATE EMPLOYMENT, WORKPLACE  
RELATIONS AND EDUCATION REFERENCES  
COMMITTEE

## **1. INTRODUCTION**

HIA welcomes the opportunity to provide comment on the important issue of Vocational Education and Training to the Committee.

## **2. ABOUT HIA**

HIA is the national peak residential, building, renovation and development industry association, with 30,000 members comprising housing and commercial builders, renovations and additions builders, trade contractors, building manufacturers and suppliers, interior designers and many others.

HIA is a single, united association offering professional services to all members across Australia. It is also a powerful and respected lobby with Government at every level.

HIA's mission is to promote policies and provide services which enhance member's business practices, products, opportunities and profitability. Effective quality training is central to HIA's mission.

HIA boasts a long standing tradition of involvement in the building industry. It commenced operating nationally in the 1960s following more than a decade of operation as the Building and Allied Trades Association.

As a national corporation, HIA has a regional presence for all states and territories of Australia. This level of coverage facilitates broad industry participation through HIA's extensive volunteer committee structure and maximises HIA's capacity to liaise with industry practitioners in general.

The majority of HIA members are small and medium sized companies, with larger organisations comprising less than two per cent of membership. On a national basis, HIA membership covers approximately 80 per cent of builders and trade contractors and 70 per cent of manufacturers and suppliers.

In terms of total value of building activity in Australia, the HIA accounts for around 90 per cent of the sectors total output and about 95 per cent of all housing projects.

The organisational structure of the HIA is designed specifically to meet the service needs of members. HIA provides the following services to its members:

- Training and Professional Development
- Policy and Research
- Technical Services
- Planning and Development
- Industrial Relations
- OH&S and Legal Services

In addition, HIA is charged with representing the interests of the housing industry as a whole to Government. In-house expertise for each of the above service areas, and particularly in the areas of economics and policy formulation, have facilitated effective lobbying and public policy input on issues relevant to the industry. HIA represents the industry on a number of national and state government advisory groups including the Board of Construction Training Australia.

National Service Directors manage each of the HIA primary service areas. The National Service Director for Training and Professional Development is located in Perth.

Service Directors are supported by a second tier of management comprising a vast range of expertise in disciplines such as economics, public policy, education, accounting, management, planning, law and building.

### **3. A SOUND UNDERSTANDING OF TRAINING ISSUES**

HIA, as the peak industry body for the residential building industry, has an unrivalled record of contribution to national training advisory issues. Of particular note is HIA's unbroken record of service to the industry as a member of the Board of Construction Training Australia since its inception some 17 years ago.

HIA is represented on the Australian Chamber of Commerce and Industry's national Employment, Education and Training Working Group. This group considers the strategic implications of federal and state government initiatives in the education and training field.

HIA, in concert with other associations, is taking tangible steps towards addressing the shortage of entry level trades-persons into the industry. To this end HIA is very much aware of the nexus that currently exists between training and labour market arrangements.

At another level, HIA is working with Builders' Licensing Australia in relation to the adoption of competency based skills and qualifications in respect of builders licensing and registration regimes.

In addition, HIA is working with the Building Code Committee of the Australian Building Codes Board to ensure that the national training framework supports the adoption of a performance-based approach to building regulation.

#### 4. GENERAL COMMENTS

The building and construction industry has undergone considerable change over the last few decades which have affected the way that people are employed, the way work is carried out at the worksite and the corresponding breadth of skills required by workers

These changes have made it difficult for many individual enterprises to employ new entrants under contracts of training (apprenticeships & traineeships) and have put pressure on prescribed courses to adapt to changing industry requirements.

The question is whether these structural changes have fundamentally altered the capacity of firms to support employment-based training arrangements.

If there has been a fundamental change in the capacity of firms to support employment-based training arrangements, then changes to the existing system will be merely “stop-gap” measures that will prolong the inevitable.

Of particular concern to the industry and the issue that is most often raised is the cost of training young people, particularly in an industry that is based on a contract system where contractors are paid based on production output.

This makes it all the more necessary that training is delivered in a way that supports the way the industry operates to achieve cost effective and relevant training and skills development.

##### **Employment-based training arrangements**

Apprenticeships and the more recently introduced traineeships have served certain sections of the building and construction industry well for generations of workers. Entry into the industry through contracts of training is the most commonly stated preference by employers. However, this stated preference does not always translate directly into employment of an apprentice or trainee.

As an employment-based training system, the number of people under contracts of training will fluctuate in line with general business cycles. However, if there is a sustained decline over the longer term, then some action needs to be taken to ensure that the skill base of the industry is maintained.

Concerns have been expressed by various researchers, industry and government agencies over the decline in the number of apprentices over the last decade or so<sup>1</sup>. This decline has been masked to some degree by a corresponding increase in the number of traineeships over the same period

If there is a sustained decline in the take up of contracts of training then certain questions need to be asked:

*Are employment-based training arrangements, with contracts of training, the only acceptable means of inducting new entrants for the building and construction industry?*

*If not, then what alternative systems should be considered for implementation.*

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<sup>1</sup> Fooks, D “Apprenticeship System in Decline”, *Campus Review*, 5-11 Mar. 1997, p.8

## **Factors affecting training in the industry**

The key driver of demand for training is the overall level of building activity. This, in turn, is dependent on a number of other factors such as population growth rates, demographic changes, investment levels, economic cycles and consumer confidence that affect long and short term building activity and numbers in training.

### ***Population growth***

The population nationally is low due to the low birth rate and reduced levels of overseas migration.

Low population growth results in lower levels of building activity but more importantly because of the ageing of the workforce, poses serious consequences for the skill levels required to meet industry demand in the future.

### ***Variations in levels of work***

By its very nature, the construction industry is project-based rather than continuous in the same way as the manufacturing industry. Companies must often survive on the cashflow generated from a series of short-term projects.

The project-based nature of the work means that continuity of work and employment cannot be guaranteed for any particular enterprise except possibly for some of the larger ones. The risk of employing staff when there is no work is overcome by “buying in” or contracting the services of others as needed. The increase in the number of labour hire firms and in workforce casualisation are testament to the change in employment and recruitment practices.

The wide variations in levels of work lead to:

- uncertainty of work and poor industry image
- changes in employment and recruitment practices, more contract work and casual employment
- growth in the number of small competing contractors that specialise in narrow tasks
- increased specialisation with improved efficiencies but undesirable affect on training
- a focus on short term needs of the business rather than the long term needs of the industry

### ***Small business nature of the industry***

Self employed persons and employees working in businesses with less than 10 employees accounted for 54.2 % of the private sector building and construction workforce in 1983-84. By 1993-94 this group accounted for 61.1 % of the workforce. The proportion of small businesses in the industry also grew from 73.7% of all businesses in the industry to 81.8 % in the same period.<sup>2</sup> The number of large companies in the industry has declined in the same period.

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<sup>2</sup> Australian Bureau of Statistics *Small Business in Australia 1995* Cat 1321.0

The relative ease of starting a small contracting business (even with consumer protection legislation restrictions) creates a very price competitive business environment with low levels of profitability. Pressure on costs can also increase pressure to reduce prices. This leads to:

- increased competition in the industry and consequent reduced profitability
- reduced capacity for individual small firms to undertake sizeable projects
- reduced capacity of small firms to employ staff or apprentices
- reduced capacity of small firms to employ staff
- increased specialisation of work carried out by the specialist contractor

### ***Capacity to employ an apprentice***

A recent study by the Centre for Labour Market Research (CLMR) estimated that on average, the “net cost”<sup>3</sup> of employing an apprentice over the four years amounted to approximately \$22,000<sup>4</sup>.

The actual net cost or benefit to a particular employer will vary significantly from the CLMR estimate depending on a wide range of factors, including the apprentice’s level of productivity and the profitability levels of the business.

Group training schemes can certainly ease the problem for many small businesses by sharing the burden amongst a number of employers. However group schemes cannot alter the fact that contracted training is becoming increasingly difficult to support because:

- there are fewer large employers and an increasing number of small businesses competing in a highly competitive environment
- continuity of work is difficult to guarantee
- the capacity of the typical small contractor to employ an apprentice is limited.

### ***Changes to technology, work organisation***

Technological changes have also had an impact on the skill range and mix required by workers in the industry. The shift to off-site construction, new computer design technologies and the development of new materials and products have all had an impact on skill needs. In most cases, these new developments have simplified many tasks and reduced the demand for higher level skills on site.

In particular increased specialisation is a major issue not addressed in the building and construction industry. In its recently developed Training Package only one Level 2 qualification exists.

Flexible training to meet the needs of industry has been thwarted by the union movement and small self interest craft based organisations who will not tolerate training for thousands of workers who operate in specialised fields of work.

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<sup>3</sup> Defined as the average of the known and estimated costs and benefits to the enterprise over the training contract term

<sup>4</sup> Centre for Labour Market Research, *Training Apprentices is a Costly Business*, September 1997

The industry has only level 3 full broad based qualifications as the basis for apprenticeships and Traineeships are virtually non-existent.

HIA recently surveyed several hundred builders nation wide and has obtained unanimous support for its drive to provide training for specialised workers that is currently not available, eg paving contractors, steel roof frame erectors, roof plumbers that contracted to carry out the supply and fix of gutters and down pipes on new homes. There are other areas highlighted in the survey document where builders would like to see training being available.

HIA also has received requests from several major suppliers for assistance eg BHP and Boral, to address this very same issue for their contractors who fix their products.

As an example Boral contracts with several hundred brick pavers in WA alone, advertising a supply and lay service to consumers, yet are unable to structure a Traineeship with all its benefits, to train these contractors as the relevant competency standards are contained within a Level 3 qualification for Bricklayers.

HIA seeks a relevant Level 2 qualification to ensure relevant training is available, including the provision of Recognition of Prior Learning for existing workers.

A formal Traineeship would also attract financial assistance from the state based industry training levy scheme.

The HIA is aware from its membership, that there will continue to be resistance by employers in the housing industry to employ apprentices, as they see that many of the skills their apprentices who undertake the full Level 3 qualifications are being taught under the current structure, are irrelevant to the specialised work they contract to do.

As an example in WA where predominantly double brick homes are built, carpenters are contracted as roof carpenters. Why would they employ an apprentice who must achieve competency as a carpenter and joiner in wall and roof framing, fixing, joinery, formwork etc.

The outcome has been that it is estimated 80% of all carpenters who erect roofs in WA have no formal training, and therefore have little knowledge of the safety codes or standards for roof construction.

The housing industry seeks a Certificate 2 in Roof Framing that will articulate into the level 3 qualification providing a career path for these workers. Many new entrants will choose to work as roof carpenters and should be able to access the training required, as well as their employer receiving the benefits that Traineeships offer during their contracted period of training.

As well as apprentices working with many of the contracting firms are unlikely to experience the full breadth of skills normally expected in their occupation. This, again, is partially addressed by group schemes that rotate their apprentices amongst different employers. However, where technologies or work organisation have simplified tasks, the demand for broadly skilled workers (the traditional product of the apprenticeship system) will decrease.

Paradoxically, the blending of certain technologies has meant that some workers can no longer rely on their initial trade training to perform their work, but must expect to upgrade their skills across new disciplines. In such circumstances the traditional trade classifications and the corresponding training will not be sufficient for the new types of work.

As a result:

- where technological advances or work organisation simplify on-site tasks, the demand for broadly skilled workers produced by traditional training arrangements will reduce
- where technological advances require skills beyond traditional occupational groupings, demand for traditional trade courses will reduce, while demand for greater flexibility and upskilling will increase
- there will be a need for multiple training pathways to accommodate different training demands arising from changes to work and employment practices and building technologies

### ***Recent changes to the training system***

The Federal Government's New Apprenticeship System (NAS), incorporating National Training Packages, potentially provides the flexibility which would enable the diverse needs of enterprises to be addressed. The increases in flexibility, greater simplicity and user choice of the NAS are expected to make the New Apprentices more attractive to employers. However in the Building and Construction industry to meet the needs of the housing industry, it has not gone far enough

Addressing some of the issues outlined with respect to more flexible training will assist in attracting more young people to the industry, but in particular assist the employers to take on young people. The training does then not have to be the traditional four year term and as well will be welcomed and provide an incentive to employers, because the training given will support the work they actually contract to do.

The contention is however whether the industry has the capacity to continue to support employment-based arrangements to the extent that it has in the past or under the current training structure. Prima facie, the push for greater flexibility and responsiveness is an attempt to redress a decline in this support.

HIA believes as well that a fundamental shift must occur to the training that is provided both prior and during the early stages of employment. This has the ability to ease some of the pressure on skill shortages.

To help relieve some of the current difficulty relating to cost, skills that contribute to productivity must be learnt up front or early in a workers employment.

As an example, a bricklayer is paid for the number of bricks laid. A new apprentice must be able to lay an acceptable number of bricks to at least offset some of his cost to an employer. It is no longer acceptable that the only skill a new apprentice possess is labouring skills, when a bricklaying team on most housing sites consist of one tradesperson with possibly an apprentice,

Yet achieving delivery of these skills as part of a pre apprenticeship is opposed, because they are trade skills and pre apprenticeships are only considered preparation for work by the union movement.

More flexible arrangements are a must for the industry, to provide training that offsets the cost of employment and focuses on the skills that employers need.

HIA has no difficulty with a broad based trade outcome, where enterprises or workers in regional areas may need those skills, providing there are also pathways to provide training for those who only utilise a limited number of those skills.