

Master Builders Australia

**Submission to the  
Department of Industry  
on the  
Industry Skills Fund Discussion Paper**

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## 1 Introduction

- 1.1 This submission is made by Master Builders Australia Ltd (Master Builders) in response to the Department of Industry's Discussion Paper *Establishment of the Industry Skills Fund*, issued in July 2014.
- 1.2 Master Builders is Australia's peak building and construction industry association, federated on a national basis since 1890. The association represents over 30,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry body that represents all of the residential building, commercial building and civil construction sectors.
- 1.3 The building and construction industry is Australia's third largest employer with over one million employees. It is the largest employer of skilled tradespeople and one of the most significant users of the Vocational Education and Training (VET) system. Master Builders' state and territory associations also operate six Registered Training Organisations (RTOs) offering a wide range of qualifications from the Certificate I to Advanced Diploma level.

## 2 Overall Position

- 2.1 Master Builders welcomes the Government's commitment of \$476 million to establish an Industry Skills Fund (the Fund). Significant demand for this funding is anticipated, particularly given that a number of other training programs were abolished in the 2014-15 Budget. Master Builders supports the principles that the Fund should be focussed on small business, cover a broad range of quality accredited and non-accredited training, and be streamlined in administration.
- 2.2 Master Builders identifies in this submission a number of areas where the proposed operation of the Fund could be enhanced to deliver greater benefits to business and better value to the Government. The most central concern in the Discussion Paper is the proposed restriction of eligibility to bodies incorporated under the Corporations Act 2001. The building and construction industry has a particularly high proportion of micro-businesses (the average firm size in the industry is only 2.5 persons), with the majority of these

businesses being unincorporated sole traders or partnerships. This cohort is generally the most in need of training and so it is of vital importance that they be able to access opportunities provided by the Fund.

- 2.3 One avenue to allow sole traders and other micro-businesses to participate would be to continue the practice under the former National Workforce Development Fund (NWDF) where industry associations play the role of aggregating small business applications. Master Builders alone has facilitated training for over a thousand businesses under the NWDF, many of which would not have navigated even a simple application process without assistance. However, this would only be feasible if the proposed provisions regarding related parties excluded industry association (i.e. we would not play the role of aggregator if the consequence was to prevent our own RTOs from receiving any funding).
- 2.4 Master Builders is also concerned that the current targeting of the fund at five priority industries does not have a clear rationale, and leaves out key industries such as construction, which alone makes up 8 per cent of GDP and is widely acknowledged as playing a central role in overall economic development. While industries not on the priority list are still able to apply under the Fund, the comparatively limited funding available means they are likely to do so under a significant disadvantage. Master Builders would prefer the fund to be based on the contribution of training to business development and productivity in any industry, rather than Government 'picking winners'.

### **3 Construction Skills Needs**

- 3.1 As business confidence increases and the Australian economy returns to stronger growth, skills shortages in the building and construction industry have the potential to create a significant constraint on national productivity. With growth of around 3 per cent per annum expected in construction demand, the building of roads, resources infrastructure, hospitals, schools, tertiary education facilities, dwellings and a variety of commercial spaces all depend on an estimated 200,000 extra skilled workers becoming available over the next decade.
- 3.2 Department of Employment estimates confirm demand for key construction skills is likely to outstrip supply over the coming years. This shortfall is being

exacerbated by the ageing of the construction workforce, with increasing numbers leaving the industry, and insufficient training opportunities for older workers to transition to less physical work. In addition, apprenticeship commencement numbers have declined sharply in the last year, leading to increasing demand for alternative trade pathways. At the same time, many existing workers continue to lack formal qualifications appropriate to current and prospective job roles.

- 3.3 Construction was one of the heaviest users of the previous National Workforce Development Fund, with an overall excess of demand over available funding, compared with under-subscription by other industries. The Construction and Property Services Industry Skills Council played a valuable role in helping industry to access over \$30 million in training funds for almost 10,000 learners.
- 3.4 Construction is a rapidly evolving and increasingly technology-driven industry crucial to Australia's economy. Leading firms are also now exporting construction services, particularly to Asia and the Middle East, creating a new source of export income for the nation. At the same time, construction is unfortunately an industry where around 40 per cent of workers do not have any post-school qualification and many have literacy and numeracy issues. This creates growing challenges, given the complexity of contemporary building materials and techniques, the international take up of computerised construction management systems such as BIM, and increasing use of pre-fabrication and off-site construction technology.
- 3.5 Reasonable access to publicly funded training is vital for the industry to be able to meet these challenges and play its part in Australia's future prosperity. However, the qualifications and other training needed by the industry are often not easy to access through State Government VET funding arrangements. Although 'entitlement' models are being rolled out across Australia that have the potential to meet a greater proportion of skills needs over time, there remains a crucial role to be played by complementary Commonwealth Government funding like the Fund. Master Builders argues strongly that construction employers should be able to access the Fund on an equal basis to those employers identified as priorities in the Discussion Paper.

## 4 Detailed Comments

- 4.1 Master Builders welcomes the broadening of the base of the Industry Skills Fund to include some non-accredited training, which can be of value to fill in gaps not currently met by national Training Package qualifications. Nonetheless, the highly variable quality of training outside the national training system means there is a risk that employers and taxpayers may not get value for money from this approach. It will be important for applications to provide a robust case for the need, content and pricing of any non-accredited training (e.g. showing is no comparable accredited training available). A further mechanism that should be considered is to stipulate that only RTOs can deliver training under the Fund (whether accredited training or not).
- 4.2 Master Builders also supports the ability of the Fund to be used for some training related activities such as mentoring and LLN support. An independent evaluation of Master Builders' Construction Apprenticeship Mentoring Scheme (CAMS) – funded under the Government's Apprenticeship Mentoring Package – reported very positive outcomes from mentoring in our industry. On the capstone question of whether CAMS was making a difference to apprentice completions, 84% of CAMS apprentices and 80% of CAMS Mentors agreed or strongly agreed with that statement. However, Master Builders does not support the use of the Fund's limited money for course development: if a course is of high quality and needed by industry it will be able to repay its development over time.
- 4.3 As previously noted, the 'related party' issue is of great concern to industry associations who wish to assist their members to access the Fund. The Discussion Paper proposes training programs "will not be deemed eligible activities if the training is provided by related parties". For the several thousand training places allocated through Master Builders under the NWDF (and before that the EBPPP), a range of training providers were used, including RTOs run by state and territory Master Builders Associations, which are the industry's quality 'provider of choice' for a number of qualifications. If Master Builders Australia sought funding for builders under the Fund, these RTOs could well be considered related parties under proposed Fund rules. This could create a perverse outcome where Master Builders could only help businesses apply for lesser quality training than available through its own

network, and many industry associations that operate RTOs would be in a similarly difficult position. The position of Enterprise RTOs vis a vis the fund would also need to be considered in this respect (one option may be that they are eligible for funding but at a reduced rate to reflect their lower cost structure).

4.4 In relation to tiers of employer size and the applicable level of co-payment, Master Builders believes that this should be based on number of employees (as with the NWDF) which is a more transparent measure than turnover. However we believe that the co-contribution levels are currently too high and deter many employers from participating. Master Builders supports co-contribution levels as follows:

- Micro Business (0 - 4 employees) – 10%
- Small Business (5 - 19 employees) – 20%
- Medium Business (20 – 199 employees) – 40%
- Large Business (200+ employees) – 60%

4.5 Concerning application and reporting requirements, streamlining of the cumbersome obligations imposed under the NWDF would be welcome, however the Discussion Paper's proposed approach would still lead to substantial unnecessary red tape. There appears to be limited appreciation for the capacity of many small businesses to engage with government programs, particularly in blue collar industries such as construction. For example, a requirement to provide regular electronic reports with a range of milestone data against agreed performance measures may be straightforward for the big end of town, but is likely to be a substantial barrier to participation for small companies. This is arguably not necessary when all a sole trader may be looking for is a few thousand dollars' support for a qualification to take their work to the next level.

4.6 Similarly, on the application side, it's not clear that an average small business person would understand what it means to "Reposition themselves because of market driven structural adjustment" much less respond to it as a selection criterion. Indeed, is a process of competitive application rounds every 2-3 months for micro-businesses even necessary? The ideal would be for an

AusIndustry delegate to be able make a decision on small applications in a 24 hour period based on a small number of clearly understood requirements that could be set out on a two page pro-forma. This contrasts with the virtually incomprehensible 10 page NWDF application form that led into a six month decision making process.

## 5 Conclusion

- 5.1 The Industry Skills Fund has substantial potential to deliver valuable training outcomes to Australian business. However, the proposed design of the Fund in the Discussion Paper would have significant adverse consequences in the construction industry vis-a-vis previous NWDF arrangements. Master Builders calls for number of key issues to be addressed in the final Fund Guidelines. The first is the large proportion of sole traders in the industry who may not be able to apply under the Fund, the second is the prohibition of related party applications (in an industry where the leading RTOs are operated by various industry bodies), and the third is the proposal of a priority list that excludes key industries like construction.
- 5.2 Master Builders would welcome the opportunity to discuss any of the issues raised in this submission further. Please contact the Chief Executive Officer, Mr Wilhelm Harnisch, on 02 6202 8888 or email [ceo@masterbuilders.com.au](mailto:ceo@masterbuilders.com.au).

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