

Master Builders Australia

Submission to the Australian Senate's Foreign  
Affairs, Defence and Trade References Committee

on

Proposed China – Australia Free Trade  
Agreement

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## CONTENTS

1	Introduction .....	2
2	Purpose of Submission .....	2
3	ChAFTA and Movement of Natural Persons .....	3
4	Building and Construction Workforce Challenges.....	4
5	Migration and ChAFTA key to industry's future .....	6
6	Conclusion .....	9

## 1 Introduction

- 1.1 Master Builders Australia is the nation's peak building and construction industry association which was federated on a national basis in 1890. Master Builders Australia's members are the Master Builder state and territory Associations. Over 125 years the movement has grown to over 32,000 businesses nationwide, including the top 100 construction companies. Master Builders is the only industry association that represents all three sectors: residential, commercial and engineering construction.
- 1.2 The building and construction industry is a major driver of the Australian economy and makes a major contribution to the generation of wealth and the welfare of the community, particularly through the provision of shelter. At the same time, the wellbeing of the building and construction industry is closely linked to the general state of the domestic economy.

## 2 Purpose of Submission

- 2.1 The Australian Senate's Foreign Affairs, Defence and Trade References Committee is inquiring into the proposed China-Australia Free Trade Agreement, with particular reference to the impact of the agreement on Australia's:
- economy and trade;
  - domestic labour market testing obligations and laws regarding wages, conditions and entitlements of Australian workers and temporary work visa holders;
  - investment; and
  - social, cultural and environmental policies.
- 2.2 Master Builders submission responds to Chapter 10 – Movement of Natural Persons and associated side letters signed between China and Australia.

### 3 ChAFTA and Movement of Natural Persons

- 3.1 Master Builders' policy principle is to support Free Trade Agreements and therefore welcomes the China – Australia Free Trade Agreement (ChAFTA).
- 3.2 Master Builders in supporting free trade is first and foremost strongly committed to the local building and construction industry; and first and foremost committed to the training and upskilling of Australians.
- 3.3 Master Builders in strongly supporting local employment recognises the need for temporary migration to fill skill shortages in the building and construction industry should Australians be unable to fill any advertised positions. Due to the project nature of work in the industry, there are peak periods of employment where skill shortages can become a significant barrier to successfully completing a construction project.
- 3.4 Chapter 10 – Movement of Natural Persons in the ChAFTA is supplemented by a 'side letter' dated 17 June 2015 (side letter). The side letter states that "Australia will reserve the requirement for mandatory skills assessment" (see paragraph 5.10 below for the text which relates to the building and construction industry) for ten occupations on the date of entry into force of the ChAFTA. Master Builders is concerned to see that any workers under this agreement have the requisite skills and experience to work in the listed occupations.
- 3.5 The Government has confirmed that the side letter goes to the removal of an initial mandated step in the process of granting a 457 visa under ChAFTA. Master Builders is concerned that evidence required to satisfy the Department of Immigration and Border Protection of compliance with the skills and requirements for the relevant occupation will not be diminished, a matter further explained in section 5 of this submission.
- 3.6 Master Builders recommends that additional skills assessment from a credible Registered Training Organisation (RTO) approved by Trades Recognition Australia be required should the Department of Immigration and Border Protection determine further verification of skills and experience is necessary.
- 3.7 Master Builders notes that a positive skills assessment may lead to a 457 visa being granted, providing that all other conditions are met, but it does not

guarantee licensing and / or registration with a recognised licensing body in Australia.

## **4 Building and Construction Workforce Challenges**

- 4.1 The construction industry is one of the key growth sectors of the economy with average real growth of around three per cent per annum expected. This growth risks being constrained by shortages of labour, including in semi-skilled, skilled, para-professional and managerial roles.
- 4.2 Currently the construction industry accounts for close to 8% of Australia's GDP and value-added \$120 billion to the economy, or 8% of total economic output in 2014. The cumulative work over the next decade is valued by Master Builders to be some \$2.8 trillion.
- 4.3 The construction industry employs 1,033,000 Australians, or 9% of the Australian workforce. The industry is the largest employer of young full-time workers aged 15-24, some 154,600 Australians.
- 4.4 Australia's future productivity and competitiveness depend on a highly skilled and trained workforce. The construction industry is in a situation of record workforce participation but experiencing a decline in accredited training outcomes. While Master Builders' policy is to increase apprenticeship opportunities for young Australians and to employ Australians first, temporary migration plays an important role in the workforce needs of a project based industry, particularly in regional and remote Australia.
- 4.5 Master Builders predicts that the construction industry will require an additional 300,000 people over the next decade, a 30 percent increase on the current workforce of 1,033,000 people.
- 4.6 Trade based positions are projected to grow by an average rate of 2.4 per cent per annum. To meet this projected growth, new thinking and approaches will be needed for the National Training System to support young Australians to learn a trade. To help meet the workforce needs of this growth, skilled migration will be important to meet the increasing demands for skilled labour in the industry.

- 4.7 Master Builders Australia's National Survey of Building and Construction (January 2015) shows that industry's confidence and profitability are increasing and housing construction activity is forecast to see dwelling starts exceed 200,000 in 2015-16. The survey also shows that builders' hiring intentions rose strongly in the December quarter 2014 to pre-GFC levels with employers' intentions to put on more apprentices lifting to the highest level in seven years. This will have positive flow-on effects for young Australians seeking to enter into an apprenticeship. Temporary migration will not alter employer's attitudes to the hiring of more apprentices.
- 4.8 Of the workers in construction, 44,225 are what statisticians term Construction Trade Apprentices, which includes carpenters, plumbers, bricklayers, tilers and a number of other trades. This is down from 56,447 in December 2010. It should be noted that the number of other apprentices working in the construction industry is higher at 76,384, as there are significant numbers of apprentices in electrical and metalworking trades in the industry.
- 4.9 The industry's challenge is to meet the rising demand for a skilled workforce against a background of decreasing apprentices in accredited training, high drop-out training rates, an ageing demographic and a yearly exit rate of existing workers at approximately 30,000.
- 4.10 The construction industry has experienced a 23 per cent drop in the number of apprentices in training, from 56,000 to 43,100 since 2010. In addition, the apprenticeship commencement rate has decreased by 18.8 percent since 2010, from 22,100 to 18,000 commencements in the past five years (Apprentices and Trainees 2014, June Quarter Report, NCVER).
- 4.11 In the latest National Centre for Vocational Education Research (NCVER) report entitled *Completion and Attrition Rates for Apprentices and Trainees 2014*, Master Builders is concerned that the report highlights that of the apprentices who commenced training in 2010, only 40.5% of construction trade apprentices completed their apprenticeship. More worrying, the NCVER reports that for construction trade apprentices commencing their apprenticeships in the December quarter 2014, the projected contract completion rate will fall to 31%.
- 4.12 The nature of construction jobs is changing due to the introduction of new technologies and pre-fabrication. This is leading to altered work practices which

no longer guarantee that traditional career paths will generate the mix of skills needed to meet the future demands of the industry.

- 4.13 Temporary migration will play an important role in helping the building and construction industry to meet the needs of skilled workers against a backdrop of decreasing outcomes from the National Training System as evidenced in 4.11.
- 4.14 Master Builders has presented a comprehensive plan to the Australian Government entitled *Towards 2020: Policy for Australian Apprenticeship Reforms* to support young Australians to enter the construction industry.
- 4.15 The benchmarks for Master Builders Australia's *Towards 2020: Policy for Australian Apprenticeship Reforms* outcomes are:
- 80% of the construction workforce holding a post-school qualification (currently 60%);
  - Commencements reaching 30,000 per annum, up by 66% on current commencements of 18,000;
  - 100,000 apprentices in training, up by 132% on current apprentices in training of 43,100;
  - Quality training outcomes with pre-apprenticeship and apprenticeship programmes delivering site-ready and productive apprentices to an appropriate level determined by industry;
  - Introduction of a national building and construction skills passport; and
  - A review of training packages to deliver the qualifications and skill sets that meet modern employer requirements.

## 5 Migration and ChAFTA

- 5.1 Master Builders' policy principle is to support Free Trade Agreements and therefore welcomes ChAFTA. In supporting free trade agreements, Master Builders is first and foremost strongly committed to the local building and construction industry; and first and foremost committed to the training and



upskilling of Australians. However, given the cyclical nature and periods of high levels of investment and activity in the building and construction industry there is a need to supplement the local labour force with skilled migrants when Australian cannot be found to meet employment needs.

- 5.2 Master Builders welcomed the *Robust New Foundations: A Streamlined, Transparent and Responsive System for the 457 Visa Programme Report* and supports the implementation of its recommendations. In addition, Master Builders welcomed the Government’s Discussion Paper Reviewing the Skilled Migration and 400 Series Visa Programmes and endorses the directions outlined in the paper. A copy of Master Builders’ letter dated 30 January to the Department of Immigration and Border Protection is attached to this submission for information.
- 5.3 Immigration has historically played an important role in the growth of the building and construction industry in Australia. Master Builders’ policy is for a permanent migration program intake to be set at around 195,000 persons per annum. This figure reflects our commitment to a ‘bigger Australia’, expectations of sustained economic growth and associated low levels of unemployment and increasing skills pressures across a number of sectors of the Australian economy, and in the building and construction industry in particular.
- 5.4 Master Builders recommends migration policy has an emphasis on skilled migration including semi-skilled workers, ensuring that the ‘457 visa program’ remains uncapped and responsive to the nation’s skills needs.
- 5.5 Master Builders recommends that labour market testing for 457 visas is unnecessary and should be removed. As acknowledged in the *Robust New Foundations: A Streamlined, Transparent and Responsive System for the 457 Visa Programme Report*, the OECD has pointed out that employer-conducted labour market testing is not “fully reliable”, and in the Australian context has proven ineffective.
- 5.6 Properly targeted immigration is an important policy lever that brings a range of social and economic benefits to Australia. It adds to the supply of skilled labour, increases accumulated savings and contributes to domestic investment and expanded domestic consumption. Immigration also brings indirect benefits by increasing innovation and connectedness with the rest of the world, and by

promoting a vibrant, cosmopolitan and outward-looking Australian culture that is better equipped to meet the challenges of the future.

5.7 Master Builders other recommended policy elements of a skilled migration program include:

- Ensuring the '457' program remains 'uncapped', with further streamlining where a 457 visa-holder seeks to transition to a permanent visa.
- Enhancing the access of certain occupations, currently classified as 'semi-skilled' for the purposes of permanent employer-sponsored migration which could best be achieved by including priority semi-skilled on the Employer Nominated Skilled Occupation List on a case-by-case basis; and
- Applying a functional English standard for skilled migrants, consistent with the ability to read and understand workplace instructions and safety standards.

5.8 Regarding temporary skilled migration, the 90,000 457 primary visa holders are only around 2 per cent of the skilled workforce and well less than 1 per cent of the total workforce. This impact is less than what economists call frictional unemployment – the impact of people shifting jobs and seeking suitable employment. The proportion of workers on 457 visas is much lower in construction and electrical trades than across the whole workforce. The impact of temporary skilled migration on employment outcomes is in fact positive, as it protects projects from skill shortfalls, boosting economic activity.

5.9 Master Builders recommends that the obligations around 457 visas remain in place under ChAFTA, including the skill assessment requirements that exist.

5.10 Master Builders supports steps outlined in the side letter for the removal of the requirement of Chinese nationals applying for a 457 visa to undertake a 'mandatory skills assessment' seeking to work in the following nominated occupations pertaining to the building and construction industry:

- Cabinetmaker
- Carpenter
- Carpenter and Joiner

- Electrician (General)
  - Electrician (Special Class)
  - Joiner.
- 5.11 Master Builders recommends that the commitment in ChAFTA only removes the need for a mandatory skills assessment at the 457 visa application stage and that all applicants will be required to demonstrate to the Department of Immigration and Border Protection that they possess the requisite skills and experience to work in particular occupations in Australia. Master Builders also recommends that this process could be conducted through the provision and collection of evidence of qualifications, memberships of relevant professional/trade bodies, references and documents showing English language skills.
- 5.12 Master Builders recommends the need for additional skills assessment from a credible Registered Training Organisation (RTO) approved by Trades Recognition Australia should further verification be required as determined on a case-by-case basis by the Department of Immigration and Border Protection.
- 5.13 Master Builders recommends that a positive skills assessment should lead to a 457 visa being granted, providing that all other conditions are met while ensuring Australians have first priority to employment and training opportunities. Master Builders notes that successful granting of a visa does not guarantee licensing and / or registration with a recognised licensing body as required by Australian federal, state and territory laws and regulations.

## 6 Conclusion

- 6.1 Master Builders' policy principle is to support Free Trade Agreements and therefore welcomes the China – Australia Free Trade Agreement (ChAFTA).
- 6.2 Master Builders in supporting free trade is first and foremost strongly committed to the local building and construction industry; and first and foremost committed to the training and upskilling of Australians.
- 6.3 Master Builders in strongly supporting local employment recognises the need for temporary migration to fill skill shortages in the building and construction

industry should Australians be unable to fill any advertised positions. Due to the project nature of work in the industry, there are peak periods of employment where skill shortages can become a significant barrier to successfully completing a construction project which may require temporary migration to successfully complete a building and construction project.

- 6.4 Master Builders recommends that the commitment in ChAFTA only removes the need for a mandatory skills assessment at the 457 visa application stage and that all applicants be required to demonstrate to the Department of Immigration and Border Protection that they possess the requisite skills and experience to work in particular occupations in Australia. Master Builders recommends that this process could be conducted through the provision and collection of evidence of qualifications, memberships of relevant professional/trade bodies, references and documents showing English language skills.
- 6.5 Master Builders recommends that an additional skills assessment from a credible Registered Training Organisation approved by Trades Recognition Australia should be undertaken when further verification of skills is required during the visa application stage. The need for additional assessment should be determined by the Department of Immigration and Border Protection.
- 6.6 Master Builders would be pleased to discuss this submission with the Foreign Affairs, Defence and Trade References Committee.

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