
Education and Employment Legislation Committee

Inquiry into the *Migration Amendment (Skilling Australians Fund) Bill 2017* and the *Migration (Skilling Australians Fund) Charges Bill 2017*.

Master Builders Australia

OPENING STATEMENT

Master Builders Australia is grateful for the opportunity to appear today and assist the Committee with its inquiry.

As the Committee will be aware, the building and construction industry is a significant contributor to the Australian economy and provider of jobs. We are the second largest sector in terms of GDP, and we directly employ around 9% of the total domestic workforce. This totals almost 1.1 million people, or more than 1 in 10 workers.

Master Builders Australia has a strong commitment to the training and up skilling of Australians. The industry is the largest employer of young full-time workers aged 15-24, some 154,600 Australians. We train more than half of total number of domestic apprentices each and every year, in excess of 50,000 young people.

Ensuring Australia has a skilled workforce that meets the current and future demands of our sector is a key policy priority for Master Builders and our members, given projected sector growth.

It is our estimate, based on current industry labour force attrition rates and growth projections, that around 50,000 entrants to the industry will be required each year, on average, over the next decade. Of this demand, around two thirds (or some 35,000 persons) will be for skilled positions, such as apprenticeships.

The Department of Employment forecast that construction industry employment will grow by 120,700 (or 10.9 per cent) over the five years to May 2022^[1]. These forecasts are on top of the numbers needed to replace those who leave our sector every year.

Data also demonstrates the emergence of current shortages. December vacancy figures recorded strong increases for Technicians and Trades Workers (up by 1.7%), Machinery Operators and Drivers (1.2%), with those categories also recording strong outcomes in terms of year to date results.^[2]

In short, our focus is on ensuring people have the skills they need to fill the jobs employers want. We are committed to doing what is necessary to ensure our sector has the workforce it needs to grow and create even more jobs, while delivering the things we all need – be it roads, schools, hospitals or homes.

The Bills

Master Builders welcomed the Skilling Australians Fund when announced in the last budget. It contains a number of elements that we believe are positive. These include:

- Linking the use of overseas skilled labour with a contribution to local education needs;
- Giving industry a meaningful role in terms of identifying future skills need;

^[1] Department of Employment Industry Employment Projections 2017 Report Release date: August 2017

^[2] Department of Jobs and Small Business, Vacancy Report December 2017 Release date: 24 January 2018

- A focus on delivery of apprenticeship places;
- Allowing industry to be a driver of, and having influence over, the allocation of resources to deliver those needs;
- A new approach to the delivery of skills and vocational education resources, including the linking of training to jobs outcomes, and improved opportunities to deliver better value for money; and
- Ensuring stakeholders, including industry, employers, providers and governments, have equal 'buy-in' in terms of their commitment to delivering meaningful training today for the jobs and skills of tomorrow.

Our support for these elements continues to the extent they are reflected in these Bills.

There are also number of areas in which we believe there could be improvements made to the fund and its operation. In making these observations, it should be stated that they ought not to be considered barriers to the successful passage of these Bills and are indeed made with the knowledge that the previous method of delivery by way of a conventional national partnership arrangement also had its failings.

Having regard to the Departments intention to undertake a post-implementation review of the Fund¹, we consider that the Committee should recommend that such a future review be required to consider:

- Whether or not the levy amount requires adjustment: Master Builders supported the recommendations by the Integrity Review into the 457 Visa programme in 2014 and any future review might consider whether the levy imposed by this Bill would be better aligned to those recommended in that report.
- Whether or not a contingency arrangement is required: this may be a live consideration in the event there is need to deliver any shortfall in the expected \$1.5 billion to be delivered through the SAF.
- Whether exemptions would be appropriate for those who already invest in training: there may be a need to better recognise businesses that invest in the workforce through apprenticeships by way of an exemption to the levy.

Again, these are not barriers to the successful passage of these Bills but a way to accommodate industry concerns once there has been a chance to see how the Fund works in practice.

Overseas Skilled Labour - Building and Construction Industry

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 from time to time.

In terms of temporary skilled migration, the Committee would be aware that 457 primary visa holders represent approximately 2 per cent of the skilled workforce and 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.

¹ *Migration Amendment (Skilling Australians Fund) Bill 2017 - Explanatory Memorandum at para [117]*

As mentioned earlier, these points must be considered in context of an industry that already trains more than half of Australia's total apprentice numbers each and every year. We are a sector that invests heavily in training and up-skilling our workforce and represents a comparatively small user of foreign labour in proportionate terms.

The Committee should also have regard to the industry specific obligations that are imposed by more recent alterations to the *Code of Practice for the Tendering and Performance of Building Work 2016* (commonly known as the 2016 Building Code). This code imposes an additional level of compliance and obligation in terms of using foreign labour for those who are subject to its terms and engage in building work that is directly or indirectly funded by the Commonwealth.

Section 11F of the Code requires that no person is employed who is not an Australian citizen or resident unless:

- The position is first advertised in Australia;
- Advertising was targeted so suitable qualified persons could reasonably be aware of the job;
- Any skills or experience requirements set out in that advertising were appropriate to the position; and
- The employer demonstrates that no Australian citizen or permanent resident is suitable for the job.

As the Committee will be aware, the obligations set by the *Building Code 2016* must be observed (both on paper and in practice) otherwise a Code covered employer runs the risk of sanction – including suspension of eligibility to tender for future work and loss of Code accreditation – for non-compliance.

These obligations, combined with a recent decrease in the use of overseas skilled labour, mean that the industry is subject to an already heavy burden in terms of compliance obligations that are backed by very large adverse consequences for getting it wrong or those who deliberately do the wrong thing.

The positive results of these deterrents and the extent of industry compliance are borne out by data. A 2017 report by the Australian Institute of Criminology² found that in 2012 there were a total of 8 subclass 457 visa workers who were found to be working unlawfully in the construction sector. This represents an extremely small proportion of a 1.1 million strong workforce.

Conclusion

While Master Builders supports the passage of these Bills, we urge the Committee to consider the course we advance above. This will provide industry with certainty that any concerns it holds about the future operation of the fund will be considered, in the event those concerns come to pass.

We thank the Committee for the ability to assist with this inquiry and would welcome any questions.

² AIC Research Report 02 – 2017 - Labour exploitation in the Australian construction industry: risks and protections for temporary migrant workers