

28 November 2022

Employment Taskforce
Treasury
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Dear Sir/Madam,

UDIA National Submission: The Employment White Paper (“The White Paper”).

Thank you for the opportunity to comment on the White Paper which builds on the Jobs and Skills Summit to design a roadmap for bigger, better trained and more productive workforce.

The UDIA is the development industry’s most broadly representative industry association with more than 2,500 member companies – spanning top tier global enterprises, expert consultants, small-scale developers and local governments. The development industry is critical to the Australian economy, contributing 1.18 million jobs (11%) and \$360 billion in GDP annually (9%).

The UDIA National strongly supports frameworks and policies that alleviate the immediate impacts of the skills shortage, builds the capacity of critical industries and boosts Australia’s economic productivity.

Our recommendations have three strategic aims:

1. Immediate strategies to address skills and training shortfalls to keep the economy and housing industry from stalling;
2. Medium-term strategies to build Australia’s capacity in a skilled labour force; and
3. Longer-term strategies to cement Australia’s ability to attract skilled and talented people a well balanced workforce.

The Issue

The development industry (like many others) is experiencing major cost increases and delays from skilled worker shortages. This means lower housing supply at increasing prices. Affordability is in steep decline as a result.

Development and Construction is a key driver of Australia’s productivity and underpins 11% of full-time employment. Each dollar spent in new residential construction is shared between 40+ trades and businesses, and generates \$2.90 of broader economic activity.

The development industry's role as an engine room for jobs and the economy is in jeopardy by the emergence of perilously low forward-pipeline of new housing supply. Skilled labour shortages are significantly undermining capacity and productivity. This is being made worse by rising inflation and interest rates, with sharp increases in many basic building costs (by up to 30-40% in the past 12 months).

The impact of labour shortages cannot be overemphasised. Shortages of skilled workers over the last 2 years has delayed housing construction by six to 18 months.

The Centre for Population estimates that Australia's population will be 855,200 lower by 2031 than pre-COVID forecasts. This translates to approximately 342,000 fewer homes built, with the linked reduction in economic activity and higher house prices. At present, according to the Master Builders Association, the skills shortages have pushed out a standard residential build from 9 months to 12 months to construct.

UDIA/URBIS research shows that historically Net Overseas Migration accounts for 56 percent of Australia's housing demand, and up to 50,000 fewer homes per year will be built over the next five years due to the contraction in population growth through the COVID impacted years of 2020 to 2022. This represents about \$17.9 billion of economic activity lost forever.

The Immediate Problem

The pandemic has seen significant numbers of skilled workers repatriating to home countries with increased numbers of contractors and small business exiting the industry.

At the same time, low migration recovery over the last two years, the natural attrition of the workforce and low uptake of new apprenticeships is delaying building and pushing up costs.

The loss of skilled workers has been further exacerbated by demand from other industries and sectors like mining and infrastructure, drawing off remaining skilled workers.

The industry has suffered accordingly:

- Construction vacancies are up 102% since late 2019 according to the Australian Bureau of Statistics.
- 105,000 more workers are needed in less than 18 months according to the Australian Constructor Association.
- This is almost 50% greater than the number of people who are qualified to fulfil the roles (Arcadis Constructions Costs Index Report).

The industry has lost key workers across several skills and trades. In particular, construction managers and civil engineering professionals are the top two jobs facing critical shortages across all industries. 15 of the top 50 jobs facing critical shortages are in the construction sector:

- Electricians
- Construction Managers
- Carpenters and joiners

- Plumbers
- Structural Steel & Welding Trades Workers
- Civil Engineering Professionals
- Painting Trades Workers
- Bricklayers and Stonemasons
- Cabinetmakers
- Airconditioning & refrigeration mechanics
- Engineering Managers
- Architects and Landscape Architects
- Plasterers
- Electrical Engineers
- Wall and Floor Tilers

Critically, with immigration restarting, Australia has struggled to recapture skilled workers with our existing visa programs. This is undermining productivity.

Net Overseas Migration (NOM) underpins Australia's population growth and is needed to sustain a vibrant economy in Australia, with NOM accounting for approximately 60% of average annual population growth over the 10 years to 2019. Overall, immigrants own 1 in 3 small businesses - that's over 620,000 businesses and 1.4 million employees. In 2018-19 alone, each permanent migrant contributed \$127,000 more to GDP than the general population. The Migration Council of Australia's reports that migrants add 15.7 per cent to our workforce participation rate, and 5.9 per cent in GDP per capita growth. After decades of growth, COVID-19 represented the biggest disruption to Australia's population trajectory since World War II.

Even with Government's ramping up of skilled migration, there is still a considerable hole that needs to be filled.

Pre-pandemic monthly permanent visas were 48,070 a month and temporary visas were 21,040 a month. Government's initiatives have boosted visas by up to 64% from the immigration freeze, but they are still 40% below what we need to recover our workforce. As of July, monthly permanent visas were still only 29,760 a month and temporary visas were still only 12,720 a month.

There needs to be a substantial fast tracking of visas and skilled worker immigration, to get back to business as usual.

The Long-term Systemic Problem

Importantly however, immigration is not a substitute for properly trained workers and deep well of domestic skilled talent in our workforce. This means providing:

- a) a fully integrated education system that identifies the aptitude of our students and provides viable and desirable career pathways across trades, vocational training and university education; and
- b) industry-ready and up-to-date training, apprenticeships and higher education.

a) Remove the bias away from trades and skilled vocational training

It is clear that trades and other vocational training skilled occupations have suffered in past decades through a bias towards university higher education. Young people have been encouraged to ignore trades and vocational training without proper consideration. Within secondary schools, many young Australian's exposure to the possibilities of the workforce, start as a half-hearted program of careers studies and two weeks of work experience (if that).

Some more sophisticated schools offer TAFE courses as part of their curriculum in Year 11 and 12, but this already assumes students have made a choice. The issue is how our education and training system supports an informed choice. These approaches are not nearly enough to engage students on what they would like to do for the first part of their adult life, especially since the choices impact their future experiences.

For the few who have an idea of what they want to do, the choices may be straightforward, but for most students, without a clear plan, the easiest strategy is to "aim for the highest entry opportunity and figure it out later". This inevitably puts a bias in place that does not encourage trades or vocational training.

While "career choice" is a personal decision, our training and education system leaves our students unarmed with even the most basic tools to understand their aptitude or career interests.

Given that most students are being educated for jobs that have not yet been invented, parents and role models have limited practical advantage in advising on career opportunities. There is a critical need for students to be given unbiased, practical information on meaningful options as a part of their secondary education.

Importantly, the lack of proper and consistent guidance at the time young Australians first hit secondary schooling has adversely impacted individual choices and the shape of many of our critical industries. Long before the pandemic hit, there were many "in demand" trades like carpenters, electricians and plumbers, and the lack of skilled labour significantly affected the delivery capability and cost of building in the market. The development and construction industry has invariably been shaped by this "opportunity gap" and mostly to its detriment. This problem has been "amped up", by the pandemic shutdown and removing our easy access to overseas skilled workers.

If we want to develop domestic capability to meet the demands of industry, we need to invest in systems to promote occupations we need.

This is an issue that typically "falls between the cracks" as it is a question of impacting choices in education rather than the education itself. It needs to be addressed in concert by the Skills and Training portfolio and the Education portfolio to ensure it is elevated across all relevant stakeholders.

In cooperation with Secondary Schools, TAFES, Universities, other vocational/tertiary education institutions and employers, Australia needs to develop a medium-term program that provides focussed engagement for students throughout the high school career

regarding their aptitude, interests, skills and opportunities. The program should be coordinated with business and Government to equally promote all forms of post-secondary school training.

There needs to be real time consideration of job markets, careers and trends as a bare minimum to arming students to make the right choices for themselves. It should at least start in Year 8 and continue through to Year 12 and beyond into their future study and training.

b) Update our built environment training architecture

We need to ensure that the skills and trades programs properly train young Australians for the job they will be doing now and in the future. It is critical that training curriculums be “live” programs that are adjusted and reviewed regularly in coordination with industry and educational institutions. Relevant “job ready” training is critical to boost productivity and encourage businesses to take up new hires post-pandemic.

UDIA National is strongly supportive of the Federal Government initiative to replace the current training architecture with a simplified framework of nine Industry Skills Clusters – including the building, construction, and property sector.

We need to change gears to power a new generation of economic and workforce performance in the property, construction, and building sector. Governments, industry and workers need to come together to improve Vocational Education and Training including service delivery to the existing and emerging workforce, developing evidence-based national industry/worker-led workforce strategies, and driving innovation as well as collaboration in Australia’s built environment.

The built environment sector is a high user of apprenticeships in Australia, absorbing around a quarter of all new apprentices each year. Approximately 120,000 apprentices and trainees are currently in-training in the sector.

The sector records around 320,000 enrolments annually in Vocational Education and Training, however, this figure has been trending down for several years.

UDIA National supports proposals that meet the needs of industry, not only in terms of training package management but also in terms of industry engagement, workforce planning, career promotion and research. These key elements have been missing from the training landscape for too long. It will also dovetail with a secondary school career initiative outlined previously.

National Vocational Education and Training system for industry needs to continuously scan the industry landscape to identify the key trends and issues that may impact the fitness-for purpose of the built environment workforce. This can ensure training products are informed by an awareness of the changing ways in which built environment services are delivered. It should keep businesses, policymakers, and their influencers abreast of the key trends shaping the sector, both in terms of demand for services and the supply of skilled workers.

Equally, the training system needs to take the data and feedback from the market and use it to build/maintain training products that will deliver more of the right type of workers for industry. Critically, given many industry vocational jobs are still presented as less-favoured options by career advisors and stigmatised as a 'second choice' avenue, the training system needs to boost awareness of the opportunities the industry has to offer. This can be achieved by (for instance), demonstrating the industry's competitive earnings, pathways to business ownership and career mobility through training.

This incredibly valuable initiative needs to be fast tracked so industry can build the skills and training environment it needs for the next decade.

The Government's Expanded Immigration and Training

Over and above the Government's election promises on training, apprenticeships and immigration, the October budget has expanded on these initiatives:

- The Permanent Migration Program will be expanded to 195,000 in 2022–23. This is an increase of 35,000 over previous estimates. This is in line with pre-covid immigration, but will not on its own, make up for the population gap caused by lockdown/repatriation.
- More than 90 per cent of new places will be for skilled migrants, and more than a quarter targeted to regional areas. UDIA National considers that there should be significant focus on rural and remote areas.
- Additional funding of \$42.2 million will be provided to accelerate visa processing, reduce the visa backlog and raise awareness of opportunities for high-skilled migrants in Australia's permanent Migration Program. A welcome move that also needs to focus on targeting temporary visas that have a pathway to permanent migration.
- Student and secondary training visa holders will have their work restrictions relaxed until 30 June 2023. This will allow them to work additional hours in any sector, helping to address workforce shortages.

The October budget has confirmed the following initiatives regarding jobs and education:

- \$1 billion Federal, states and territory investment in fee-free TAFE and vocational education places. Providing 180,000 places next year – the first stage in Government's plan for nearly half a million fee-free TAFE courses for Australians (480,000) – learning skills for jobs in priority areas.

This initiative needs to be tied to a strategy for attracting students in coordination with secondary schools and places of learning in concert with the better schools and university places initiatives noted below.

- Invest over \$770 million for better schools, happy and healthier students, and more qualified teachers.
- \$485 million to create 20,000 new university places over the next two years for students from disadvantaged backgrounds.

These initiatives are welcome and need to be applied to the critical problems:

1. attract new workers immediately across skills and regions to stem the shortfall in productivity.
2. expand and fast track training/skills targets to build a strong workforce in the medium term; and
3. Provide career pathways and education from early secondary education onwards that balances trade, occupational and university education options.

The Recommendation Detail

Following on from our commentary above, UDIA National recommends:

Immediate term initiatives

- 1. Double the NOM above the pre-pandemic level of 160,000–190,000 pa** – until we close the pandemic induced gap. We note the current target is 195,000pa but it needs to be higher.
- 2. Prioritise preferred migrants** - foreign students & skilled migrants to overcome worker shortages.
- 3. Prioritise Skilled Visas across in-demand regions as well as skills** – This would include creation of skilled rural and remote visas for in-demand skills, that have four-year terms with a pathway to citizenship (say by staying an extra two years).
- 4. Increasingly use Labour agreements between Australian employers and Government** – to enable skilled overseas workers to work in skilled occupations for five years as:
 - a. a temporary skill shortage (TSS) visa subclass 482; or
 - b. a permanent residence pathway under skilled employer sponsored regional (SESR) (Provisional) visa (subclass 494); or
 - c. employer nomination scheme visa (subclass 186).

Mid-term initiatives

- 5. Expedite decision-making on the Federal Government tender process on the Industry Clusters initiative** – to enable industry to build the skills and training environment it needs into the next decade.
- 6. Provide an additional training space to match each migrant skilled worker entering Australia** – to ensure we encourage skilled workers.

- 7. Fast track the \$2.8 billion package to support Australian apprenticeships.**
Providing \$5,000 payments to new apprentices and up to \$15,000 in wage subsidies for employers who take them on.
- 8. Fast track the \$3.7 billion in Commonwealth funding for a new skills agreement,**
which has the capacity to deliver up to 800,000 additional training places for Australians.
- 9. Prioritise the proposed red tape cutting initiatives for small business** – reduce transaction fees, business boosting investment, better payment mechanisms/terms & buy Australian plans.
- 10. Fast track the \$190 billion proposed Future Made productivity initiatives for business** – focussing government contract spend on Australian products, goods and materials.
- 11. Expand the \$15 billion capital investment in loans, equity and guarantees for manufacturing into the construction industry** to ensure the pipeline for materials needed for enabling infrastructure and housing across the spectrum at reasonable prices.

Long-term initiatives

- 12. Develop Education and Aptitude Programs for Skilled Trades and in demand jobs** – start at high school to ensure trades and skilled jobs outside of University are equally promoted with an emphasis on identifying the aptitude of male and female students.

If you have any queries, or require further detail, please contact Andrew Mihno, Director of Policy and Government Relations on 0406 45 45 49.



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