



Queensland

Building and Construction Industry (Portable Long Service Leave) Amendment Regulation (No. 1) 2005

Regulatory Impact Statement for SL 2005 No. 140

made under the

*Building and Construction Industry (Portable Long Service Leave)
Act 1991*

1 Title

Proposed Amendment to the Building and Construction Industry (Portable Long Service Leave) Regulation 2002.

2 Background

The Building and Construction Industry Training Fund (Qld) (BCITF) was established on 1 January 1999 to assist in the acquisition and enhancement of the knowledge, skills, training and education of workers in the building and construction industry. Funds are collected through QLeave and allocated against Ministerially agreed priorities, through BCITF arrangements.

The BCITF forms part of the Government's Breaking the Unemployment Cycle initiative with funding focusing on entry level apprentices training and existing worker training.

Research undertaken by the BCITF Fund Managers and confirmed by independent data from the Department of Employment and Training shows that the current amount of 0.05% of the cost of building and construction work valued at \$80,000 or more as provided for under Section 33 of the Building and Construction Industry (Portable Long Service Leave) Act 1991 is insufficient to sustain the level of training needed to meet the

skilled workforce needs of the building and construction industry into the future.

Therefore, the Queensland Government proposes to amend the Building and Construction (Portable Long Service Leave) Act 1991 to identify the current Qleave collection for training purposes as a separate levy and increase the amount from 0.05% to 0.1% and adjust the portable long service leave levy from 0.175% to 0.125% of the total cost of work on all Queensland building and construction projects valued at \$80,000 or more...

Consultation has been undertaken with key stakeholders, such as the Queensland Master Builders Association, Housing Industry Association, Civil Contractors Federation, the CFMEU, AWU and CEPU Plumbing Division, Department of Public Works, State Development, Department of Main Roads, Department of Premiers and Cabinet and Treasury. These Stakeholders accept that the levy rate must be raised to ensure the continued viability of both the Scheme and the BCITF.

The proposal to increase the level of the BCITF levy would achieve some parity with those other States and Territories that have similar BCITF (or equivalent) arrangements and provide for the continuous workforce needs of this industry. Levies ranging from 0.18% to 0.25% operate in four other jurisdictions, up to five times that of Queensland.

3 Authorising law

This legislation is authorised under the Building and Construction Industry (Portable Long Service Leave) Act 1991 (the Act).

4 Policy objectives

In essence the primary aim of the proposed amendments to the Act and Regulation is to ensure the continued availability of a base of skilled workers sufficient to sustain the level of activity and growth in the building and construction industry in Queensland into the future.

Currently, Australia does not have enough skilled workers to carry out the major infrastructure and building projects required over the next 10 years. Severe skill shortages are being experienced in Queensland where significant projects are placing enormous demands on the construction skills base, while at the same time population growth fuels record levels of building activity in the housing sector.

5 Legislative intent

The intended effect of the proposed amendment to the regulation is to ensure the BCITF is maintained at a sufficient level so as it can continue to meet future demands for skilled workers in the building and construction industry.

It is proposed to amend Section 33 (2) of the Building and Construction Industry (Portable Long Service Leave) Act 1991 to increase the amount allocated to training from 0.05% to a sustainable level of 0.1% of the cost of building and construction work valued at \$80,000 or more... Consequently, the introduction of a building and construction training levy at 0.1% of leviable works will result in Section 7 the Building and Construction Industry (Portable Long Service Leave) Regulation 2002 being adjusted from 0.175% to 0.125%.

In practical terms an increase to the levy will entail the stakeholders most likely to be affected are those persons required to pay the levy pursuant to section 74 of the Act. In most cases, this will be the applicant under a development application, or the person for whom the work is to be done. In the case of the Commonwealth, the levy is to be paid by the principal contractor engaged to carry out the work, and in the case of a state or local government entity, that entity is liable for payment of the levy.

The introduction of a discreet training levy and a subsequent adjustment to reflect this change in the current long service leave levy will mean that an amount of \$2.25 in every \$1,000 of leviable building and construction work performed will be payable for training and long service purposes, compared with the previous payment of \$1.75 per every \$1,000 of leviable building and construction work.

The proposed amount of the levy increase is specifically for the amount required to fund the BCITF in the long term. QLeave and the BCITF fund manager are mindful of operating costs, and have endeavoured to ensure that operating costs are kept to a minimum each year. Under the circumstances, it is considered that the amount of the increase is reasonable and appropriate to ensure the long term viability of both the scheme and the BCITF.

6 Consistency with authorising law

The Building and Construction Industry (Portable Long Service Leave) Act 1991 was established to provide a scheme under which portable long service leave benefits may be payable to workers in the building and

construction Industry in Queensland. As the Scheme is entirely self funded, the percentage rate of the levy is required to be set at a rate that is able to sustain the long term viability of the Scheme.

The inclusion of a training component for the BCITF in the act was intended to ensure that funding was available to maintain a skills base for long term sustainability of the building and construction industry in Queensland.

The proposed amendments are consistent with these objectives.

7 Consistency with other legislation

The proposed amendment is not inconsistent with any other legislation.

8 Options and alternatives

As the Scheme is fully self funded, it is not foreseeable that funds may be obtained from Treasury to meet increased long term liabilities. Realistically, there are only two options available for consideration. The first option is to do nothing and retain the BCITF (and subsequently the levy) at its current unsustainable rate. The second option is to raise the levy to a level that can sustain the BCITF in the long term.

8.1 Do nothing and retain the current rate

The BCITF has never funded all training needs across the building and construction industry. However, support through the BCITF for employers of apprentices, that are additional to those available from the Commonwealth and the state's 'Breaking the Unemployment Cycle' initiative, have fallen alarmingly from over 40% of all building and construction commencements in 2000-01 to only around 25% in 2003-04. This option has been discounted as the continued low coverage will not secure the apprenticeship commencements to meet the industry's current or future demands.

8.2 Introduce an industry training levy to a sustainable long-term level for the BCITF

Increasing the training levy rate of from 0.05% to 0.1%, based on current annual activity levels within the industry would realise the funding needed

to expand the BCITF programs to support the industry's training level requirements in line with the labour replacement and long-term growth forecasts.

This option is recommended as it will enhance the level on investment in the building and construction skills base through the targeting of additional funding to support apprenticeship commencements and upskilling of the existing workforce.

9 Cost-benefit assessment

The building and construction industry is a significant employment generator providing large numbers of apprenticeship opportunities for Queensland's youth, predominantly through pathways for school leavers directly into employment.

The construction industry represents 7.7% of Queensland's Gross State Product (2002-03) (ABS 5220.0), and accounts for approximately 160,300 jobs, or 8.9% of total employment (Four quarter average to June 2004, ABS). Despite this the industry has a shrinking skills base and one of the poorest records for investment in training of all sectors of the economy.

Research undertaken by the Department of Employment and Training identified that the industry needs apprenticeship commencements of at least 7000 per annum to meet anticipated growth and workforce replacement.

Historically, commencements have been well below the required 7000 per annum with a record number of 4269 commencements being achieved in the 2003-04 financial year.

At the current rate of 0.05% BCITF funds available for 2004/05 are anticipated to be \$10.5M. This threshold is considered too low by industry and government given the critical skill shortages facing all sectors of the industry being further exacerbated by record levels of building and construction activity in Queensland.

As a means of expanding the BCITF programs to support the training level requirements to meet replacement and long-term growth an increase the BCITF levy from 0.05% to 0.1%, based on current annual activity levels within the industry would realise around \$24.3m for BCITF purposes is needed.

This increase will enhance the level on investment in the building and construction skills base through the targeting of additional funding to

support apprenticeship commencements and upskilling of the existing workforce.

The impact of the increase in the training levy percentage rate and subsequent adjustment to the Portable Long Service Leave levy rate will be payment of a rate of 0.125% for long service leave levy rather than the current rate of 0.175% and a separate training levy percentage rate of 0.1% for the proposed 0.1% BCITF contribution). The liability of persons required to pay the levy under section 74 of the Act, together with the manner in which those persons are required to pay the levy, will remain unchanged.

The BCITF levy increase to individual levy payers and the industry as a whole will be significantly lower than the benefit that a skilled workforce will provide. On an average cost of a project of \$200,000, the BCITF component will increase from \$100 to \$200. This must be balanced against the impact of continuing skills shortages on construction costs and productivity in the industry. It is clear that the cost to industry of skilled labour will continue to rise as a result of the short supply of skilled labour.

The increase to the levy will apply across Queensland including those areas that are rural and remote. Equally, the benefits of the enhanced training opportunities to the building and construction industry will be enjoyed throughout Queensland. Particularly, as training needs in regional areas differ from those in the southeast corner (eg. the BCITF will have greater capacity to address the demand for a broader skills base).

It is anticipated that there will be no significant adverse employment and skills development impact from the proposed increase in levy rate. There are currently acute labour shortages because of the existing high demand in the building and construction sector. The effect of the proposed 0.05% rise is not expected to have any appreciable effect on demand for building development and hence, labour demand.

While the increase to 0.1% represents a 100 per cent increase over current arrangements it will allow the BCITF to encourage new entry level commencements into the building and construction trades apprenticeships, through incentives and for these to reflect around 40% of all commencements. Additional, resources can also be targeted at upskilling existing workers to trade level qualifications.

By raising the levy rate to the sustainable level of 0.225%, the Scheme will be able to meet its future liabilities, thus ensuring the long term viability of the Scheme for the benefit of workers in the building and construction

industry in Queensland and ensure the future of the industry through the availability of sustainable levels of skilled workers.

10 Fundamental legislative principles

The proposed amendment raises no issues of inconsistency with fundamental legislative principles.

11 Conclusion

The Act has established a framework whereby portable long service leave levy is collected and in part used to fund the BCITF. The continuing success and long term viability of the BCITF depends upon adequate monies being collected to fund sufficient training to keep pace with industry demand for skilled workers. The current rate of funding for the BCITF will fall well short of the required training places required to sustain the building and construction industry. The facts and options outlined in this RIS demonstrate that the only viable option to ensure the long term demand for skilled workers continues to be met is to raise the BCITF rate to 0.1% and subsequently the overall levy rate to the recommended rate of 0.225%.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Industrial Relations.