



MASTER BUILDERS
A U S T R A L I A

19th September 2022

Director
Small Business Tax Unit
Treasury
Langton Crescent
Parkes ACT 2600
SkillsBoost@treasury.gov.au

Dear Director,

Re: Consultation on Skills & Training Boost

Master Builders Australia appreciates the opportunity to partake in this consultation regarding the Skills & Training Boost. Our submission is made in parallel with that regarding the Technology Investment Boost which was sent previously.

Master Builders is Australia's peak building and construction industry association. We were established in 1890 through the federation of the Master Builders State and Territory Associations. Over our 130-year history, we have come to represent over 32,000 businesses nationwide and are the only association representing all sectors in the building and construction industry – residential, commercial, and civil construction.

Master Builders Australia wishes to voice our strong support for the Skills & Training Boost proposals, although we do suggest some modifications. We view the Skills & Training Boost favourably because

- Small businesses account for the vast bulk of the building and construction activity;
- The Boost can help reignite productivity growth in our industry;
- Better productivity in our industry will result in improvements to living standards as well as better economic performance across many sectors.

There are a few amendments to the Boost that we believe are worthy of consideration

1. **Extension of end date to 2025:** along with the proposed Technology Investment Boost (for which a separate submission was provided earlier) we believe that the end

date for the Skills & Training Boost should be extended to 30th June 2025 in order to maximise the timeframe over which both supports can work together in tandem;

- 2. Ensure full coverage for sole traders, partnerships and business owners:** A very large number of building and construction businesses operate as sole traders or partnerships. The eligibility criteria for the Boost need to be adjusted so that all businesses structured in this way are able to fully access its benefits, as well as ensuring that the business owners themselves can avail of Boost-supported interventions, in addition to any employees that may have.

The paragraphs below detail the reasons for our support of the Boost and the basis for our suggested modifications.

Small business is the lifeblood of our industry...

Australia's building and construction industry is overwhelmingly made up of small businesses. Of the over 445,000 building and construction businesses in existence across Australia, it is estimated that almost all (98.6 per cent) turn over less than \$10 million per year. Accordingly, the proposed \$50 million threshold for the Technology Investment Boost is likely to cover the vast bulk of our industry.

Over one half of all businesses (56.5 per cent) in our industry have no employees at all and typically operate as sole trading entities or partnerships. Accordingly, it is important that businesses structured in this way are able to access the Boost and benefit fully from it.

...productivity needs the Boost...

Maximising access to the Boost amongst building and construction businesses is important because productivity growth in our industry has underperformed over recent years. For example, latest ABS data suggests that labour productivity per hour worked fell by 2.8 per cent in the construction industry between 2017-18 and 2020-21. This is in contrast to labour productivity growth of 1.7 per cent across the economy as a whole over the same period.

Furthermore, latest figures on innovation take up suggest that the construction industry lags behind the rest of the economy. According to the ABS, 45.4 per cent of businesses across the economy introduced innovation during 2020-21. However, the construction industry reported an innovation rate of just 31.9 per cent over the same period. Additionally, research by MYOB has found that digitalisation has taken little or no hold in about 20 per cent of construction businesses. MYOB has also estimated that improving digitalisation amongst this cohort would provide a return on investment (ROI) of around 25:1.

The construction industry's subpar take up of technology is one of the main reasons why productivity has failed to grow over recent years. In conjunction with the Technology Investment Boost, the proposed Skills & Training Boost provides us with an opportunity to turn this around.

Greater adoption and use of digital technologies would offer an effective route for enhancing labour productivity in our industry. Clearly, more needs to be done with respect to driving better use of technology by our industry. This is a particularly vital objective given the acute labour shortages we currently face. In the past, delivering expansions in construction output could be done by hiring additional workers. Severe shortages of labour mean that this route to growth is not now open to us. Right now, the only way to beat these capacity constraints is by upgrading the productivity of our existing workforce through training, technology, upskilling and learning.

...and it's not just good for our industry

Better productivity in the building and construction industry will allow for more building and construction projects to get completed more quickly and at lower cost. In simple terms, this means that more new homes, workplaces and infrastructure stock can come into existence as a result of productivity gains. Significant benefits will result, even for those who do not work in the building and construction industry.

For example, housing costs typically absorb a very substantial share of household income. Enhancing productivity in the building industry allows for more new homes to be created and – in a less costly way than before. As a result, housing affordability is one of the winners. On top of this, better outcomes on the housing affordability front make it considerably easier for Australia to attract the workers from overseas we will need for sustaining living standards over the decades ahead.

By the same token, stronger productivity in building and construction will help improve the cost and abundance of non-residential building stock and infrastructure. In this way, benefits can flow to businesses outside of our industry in the form of lower commercial rents and less onerous infrastructure costs. This is an important channel through which better construction productivity boosts economic performance right across the board.

We thank you for the opportunity to provide this input. Should you have any questions or would like further information, please feel free to contact Shane Garrett, Chief Economist, at shane@masterbuilders.com.au or by phone on 0450 783 603.

Yours faithfully,

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