

Labour in the housing construction sector

ACUTE LABOUR SHORTAGES ARE APPARENT IN SOME LOCATIONS. LABOUR TURNOVER AMONGST APPRENTICES IS DUE TO LOW SKILLS AND INADEQUATE TRAINING, LOW WAGES, POOR OPPORTUNITY FOR ADVANCEMENT, CULTURES OF BULLYING AND THE NEED TO TRAVEL LONG DISTANCES TO WORK.

KEY POINTS

- This study showed that, in general, housing labour supply aligns well with housing demand (indicated by population growth) in most regions. There were some 'critical areas' where there was apparent spatial mismatch, with labour shortages most apparent in places like Kingston and Calliope in Queensland and Dandenong in Victoria.
- Workers in the new build part of the market have to travel long distances to work as new outer suburban housing estates start up and others wind down. Most workers were willing to travel long distances to work—without this, shortages would be more acute.
- Businesses struggle to retain apprentices due to problems with poor and inappropriate training, a lack of appropriate supervision, bullying and low wages.
- Problems of labour turnover are most apparent amongst project builders specialising in high volume new product. This is because labour in this sector is associated with more specialised tasks, requiring a narrower range of skills and less scope for career advancement.

*This bulletin is based on research conducted by **Professor Tony Dalton**, **Professor Ralph Horne** and **Professor Prem Chettri** at the AHURI Research Centre—RMIT University, **Associate Professor Jonathan Corcoran** at the AHURI Research Centre—The University of Queensland, and **Dr Lucy Groenhart** at the AHURI Research Centre—The University of New South Wales. The project examined how the labour market imposed constraints on the residential construction industry.*

- The high labour turnover in the volume new build segment can be contrasted with the bespoke segment of the building sector (specializing in 'one-off' houses and alterations and additions) where work is closely associated with a broad range of tasks and high levels of skill, long-term relationships between tradespersons and builders, and most tradespersons living close to their work place. It potentially provides a model for a more sustainable workforce for the rest of the residential construction sector.

CONTEXT

A key issue facing Australian households is housing affordability, which is linked to the supply of housing. The level of housing production in Australia, measured as a share of national income, is broadly in line with the level in other industrialised countries. This project examines how issues within the construction sector labour force might act as a constraint to increasing housing production.

RESEARCH METHOD

The research focused on Victoria and Queensland, and comprised a literature review, interviews with industry stakeholders, quantitative analysis of the spatial distribution of labour in the industry and focus groups with experienced residential builders.

KEY FINDINGS

The housing sector work force is close to where new housing is being built

An efficient labour market should distribute housing workers close to where the housing needs to be built (i.e. where population growth is occurring). Inefficiencies might be detected by showing situations where growth in labour force was not matched by growth in demand (i.e. 'spatial mismatch').

An investigation of statistical local areas (SLAs) in Victoria and Queensland found there was no strong spatial mismatch evident suggesting efficient markets for labour. The housing sector labour force grew in the period 2001–06 in both Queensland and Victoria (though more strongly in Queensland). In general, SLAs with high population growth also experienced high to moderate growth in the labour supply for housing. The few SLAs where housing sector employment growth lagged population growth included Rockhampton, Mundingburra, Kingston and Calliope in Queensland, and Dandenong and Darebin-Preston in Victoria.

Housing sector workers are prepared to travel for work

Shortages in building workers in a location can be made up by importing labour from neighbouring areas. Analysis indicated some remarkable levels of mobility exhibited by individual building contractors. Workers are travelling long distances to Brisbane and the Gold Coast, where increased journeys to work might be associated with employers having difficulty attracting qualified workers for jobs in a particular area. However, on average, distances travelled to most job sites actually reduced over the period 2001–10.

Evidence reveals that tradespeople are prepared to travel depending on the amount of work around and the need to please important clients. Journey to work information for Queensland showed significant traffic between Brisbane, Gold Coast, Sunshine Coast and Toowoomba. For example, over the 10-year period to 2010, almost half of all the trades in the Gold Coast were sourced from elsewhere, with the average distance to work being 66 kilometres.

Training

Training is a key issue across the industry with implications for the future supply of skilled labour and the suitability of the apprenticeship system. In 2010, there were 22 000 commencements,

11 800 completions and 15 000 cancellations or withdrawals from apprenticeships in the construction trades. Key problems included lack of appropriate supervision in the workplace, problems with poor and inappropriate training, bullying and abuse in the workplace, and low wages.

Despite the increase in the proportion of construction industry employees in receipt of training, this industry has one of the lowest rates of per employee expenditure on training (in 2002–03, an average of \$208 per employee).

There was also consensus that apprentice wages were low compared to other jobs on offer in the labour market. Nevertheless, apprentices valued the ability to acquire skills through training. In the project build sector, linking greater pay to completion of training modules could encourage apprentices to stay, but some employers argued that this would only work if the higher wages were subsidised by government.

Industry structure influences employment and training

Housing sector labour retention is also influenced by industry segmentation.

Project building is associated with more specialised tasks, requiring a narrower range of skills. Project building workers are mobile and work across larger distances within metropolitan areas as new outer suburban housing estates start up and others wind down. However, the project build industry has a problem retaining many of its workers including apprentices.

In contrast, bespoke building is closely associated with a broad range of tasks and high levels of skill, particularly for carpenters. The other trades working on these jobs tend to have long-term relationships with these builders. There appears to be little movement of workers between the two different types of building work. The sector has also relied extensively on apprenticeships as a source of labour.

Some builders (especially bespoke builders) argue in favour of the traditional four years apprenticeship system with holistic skill development that follows a longer term 'master-apprentice' approach, characterised by trust and reciprocity. The experience of employers working in this area was that their apprentices were learning on the job, were sticking around for the full four years and were expecting long-term careers.

By contrast, the volume builders were less connected to apprenticeship arrangements. Apprentices with project builders were more likely to be affected by the fitful and low-skill nature of the work, move between subcontractors, do repetitive and low-skill work, and give up before the end of the four years. Partly because of piece-work and the need to complete projects quickly to schedule, bullying can also emerge in this sector. Greater modularisation of learning for apprentices (where a sequence of specific 'competencies' are learnt and formally recognised) to reflect the fragmentation of the sub-contract system was cited as a possible way forward in the project build sector.

POLICY IMPLICATIONS

A key variable in the productivity of the housing sector labour force is the availability of labour. For the most part, employers are able to access suitable labour if need be from neighbouring locations. The costs involved in commuting are placed on employees.

There is scope to improve the apprenticeship system that is central to supplying new skilled labour in the housing industry. The reliance on subcontract labour disconnects many builders from this process and yet it is in the interests of builders to ensure labour is retained for the efficiency of the industry. Enabling apprentices to complete modules and build up a range of skills will assist in retaining these people in the industry.

FURTHER INFORMATION

This bulletin is based on AHURI project 30634, *Understanding the patterns, characteristics and trends in the housing sector labour force in Australia.*

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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