



**CANBERRA OFFICE - ADJUDICATION
PHONE CALL MEMO**

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Date:	10/2/2006	Participants:	Geoff Noble (ABBTF) Tim Scott
ACCC Officer:	Tim Scott	Phone:	
Time:			930am & 4.40 pm (aprox).
Subject:	ABBTF: A90993 Brick and Block Levy Authorisation		

Geoff Noble called on 8 February 2006 with regard to my email, dated 2 February 2006. The email contained a large number of questions about the bricklaying trade, the construction industry and the ABBTF's role in spending the levy funds. The conversation continued over two phone calls I received from Mr Noble, during which he provided oral responses to the questions. The questions asked in the email are reproduced in bold type below, with a summary of Mr Noble's response following.

Mr Noble answered the questions as follows:

- 1. "The Final Determination for an earlier authorisation stated that employers who hire apprentices generally choose to use a group training company. On the other hand, AMBA's submission states that in Victoria, 85% of apprentices are employed directly and only 15% through group training companies. There is an inconsistency between these statements, as 15% usage would not be considered as "generally" using a group training company. Can you provide some statistics regarding (a) the percentage of employers who hire through group training companies, and (b) the percentage of apprentices hired through group training companies? A break down of these numbers by state and territory would also be useful, if you have that information."**

The number of apprentices employed by group training companies varies from state to state. In Victoria, 21% of apprentices are employed by group training companies (that is 130 apprentices out of 650). The percentage in New South Wales is comparable to Victoria. In Queensland, 42 % of apprentices are employed by group training companies, perhaps due to the vigorous efforts of one company. In Western Australia, the percentage is 80%. GN speculates that the very high figure in Western Australia may be due to government support and a training levy may help. He cannot agree with a statement that apprentices are "generally" employed by group training companies.

The scheme subsidises the employment of apprentices through group training companies as its preferred mode of operation, rather than supporting direct employment. The reason for preferring group training companies is that they provide effective supervision of the apprentices, monitoring such things as the employers' adherence to wages and conditions of employment, the quality of work provided to apprentices (so that they are being trained properly as bricklayers, rather than used as labourers), the quality of the working relationship between apprentice and employer (the group training company can intervene if the working relationship between apprentice and bricklayer

deteriorates; and, if necessary, shift the apprentice to a new employment situation, thus avoiding one significant source of apprentices abandoning their apprenticeships), and ensuring that the apprentices attend the training component of their apprenticeship at TAFE colleges or an RTO.

Two-thirds of the growth in apprentice numbers in Victoria has been due to increased subsidised numbers of apprentices employed through group training companies. This has proven that the wages support scheme has been a success to date in that it focused on an aspect of the market with the greatest potential to grow, as it could employ “multiples” of apprentices.

2. “Is direct employment of apprentices by large commercial construction firms the most significant source of apprenticeships?”

No, direct employment of apprentices by large construction firms is not the most significant source of apprenticeships. Large commercial bricklaying firms probably account for 15 – 20% of apprenticeship employment. In Victoria, the largest bricklaying firm would employ about 50 bricklayers and 5 or 6 apprentices [NB this is the largest bricklaying firm, not construction firm]. Based on knowledge obtained from buyers, 15% of bricklayers and apprentices are employed in large bricklaying firms.

In Victoria, for example, one construction company employs some bricklaying apprentices and sends them to work for bricklaying contractors who are engaged on the construction firm’s projects. As one project is completed, the apprentices are moved to other contractors working on different projects. In this respect, the construction company is operating like a group training company although that is not its principal activity. The ABBTF provides support for the employment of these apprentices, who are being offered career paths within the construction firm that may lead on to management roles later. This is something the ABBTF supports. Contractors cannot provide similar career paths and opportunities.

3. “Do you know the percentage of apprentices (a) employed by small firms and (b) working for small firms, although employed by group training companies? (Numbers on a national basis and broken down into states and territories would be helpful if you have them.) Could you also identify the criteria you use to determine what constitutes a “small business” (a) for the purpose of compiling these statistics, and (b) for allocating the incentives to employers?”

The group training companies lease their apprentices to bricklaying teams which work in the domestic construction sector, rather than to commercial bricklaying firms or commercial construction firms. In Victoria, the bricklaying teams which service the domestic construction market are in the main small. In New South Wales on the other hand, more apprentices may be leased to firms which work in the commercial building sector, although the number of apprentices employed in the commercial sector there is still less than the number employed in the residential building sector.

The size of the firm has no bearing on its qualification to participate in the

scheme and receive subsidies through group training companies. Consequently, the ABBTF is not concerned with a definition of what constitutes a small firm.

- 4. “Given the limited resources of the ABBTF, what criteria will the Board apply to determine the allocation of those resources within each state and territory? Is the objective of the proposed arrangements to target categories of bricklaying firms which do not currently employ apprentices, and provide incentives to encourage them to employ more apprentices? If so, are small bricklaying firms the category which the proposed arrangements target? If so, how small are these firms? Will these firms be encouraged to employ apprentices directly or through a group training company?”**

The general rule of the ABBTF is that funds raised from the levies within a particular state or territory (ACT is the only territory) will be used only to finance the promotional activities, incentive payments to apprentices and subsidies to employers within that state or territory. However, the share of the funds used for central administration, marketing and development is spread evenly in proportion to sales volume and levy collections in each of the states and territory. This will ensure a more efficient use of resources, as it avoids duplication of these three functions.

The scheme is “just about growth” in the number of apprentices. It is not especially concerned with opening up new avenues of employment for apprentices. Growth in employment of apprentices may come from bricklayers who already employ apprentices and decide to employ additional numbers, or from bricklayers who employ apprentices for the first time. So, small firms are not a particular target; and all apprentices will be hired by bricklayers through the group training companies rather than by direct employment for the reasons stated in the first group of answers above.

- 5. “Apart from enrolment in a TAFE college or institute, what other paths will apprentices who enter the trade under the auspices of the program have for their training?”**

In Victoria, most of the apprentices receive the training component of their apprenticeship through TAFE colleges, and other private sources of training play a much smaller role. The TAFE colleges have organised themselves particularly well in Victoria, and are strong and effective performers in the provision of bricklaying apprenticeship training. AMBA is also developing as a training provider.

Private training providers play a larger role in NSW and Queensland. In NSW, private training providers account for 12% of training, and in Queensland, they account for 40%.

In Victoria, apart from the TAFE colleges, there is also AMBA, which started its training college in December 2004. The AMBA training college was intended originally to provide pre-apprenticeship training as a “feeder” to TAFE colleges, but now also provides apprenticeship training. The ABBTF

wanted some time to watch AMBA's progress as a training provider, before including it in the scheme and providing incentive payments of \$400 to AMBA pre-apprenticeship candidates who continued in AMBA's apprenticeship training rather than enrolling in a TAFE college. The ABBTF has now recognised AMBA's training college for the purposes of incentives and support programs.

In determining whether private training providers can be included in the scheme, the ABBTF has one stipulation which relates to the way in which training occurs. The training component of an apprenticeship can be delivered in either of two ways: apprentices can be withdrawn from the working environment for a few weeks and taught technical skills in an off-site dedicated training environment with other apprentices; or their employers can interrupt the normal work of a bricklaying team to dedicate some time to teach skills. The ABBTF prefers the first mode, and will not provide funding support for employers who use the second mode.

The ABBTF deals with private training providers in other states, because they are a more significant source of training in those places. This is subject only to the rider about the preferred mode of delivering training.

6. **“Are employers who currently engage (or have been engaging) apprentices without assistance or incentives from the program excluded from the incentives? If so, is there any plan to change the arrangements in order to include this category of employers in the program?”**

The ABBTF is currently thinking about offering support to a wider group. This would be part of the continuous review of the program to measure its effectiveness. In deciding whether to include employers in the program, the ABBTF looks to local conditions in the area and relies on local advice.

The ABBTF subsidises employment through group training companies, for the reasons already stated in the second paragraph of the answer to Question 1 above. The group training companies also provide apprentices at lower cost to the bricklayers than if the apprentices were employed directly by the bricklayers. The ABBTF does not provide incentives or subsidies for the direct employment of apprentices in most states, although they do provide them for direct employment in Queensland which is an exception due to the greater participation of private training providers in that state. In Queensland, the ABBTF is looking at alternative schemes, adapted to local conditions.

7. **“Will employers who have not previously employed apprentices, either directly or through a group training company, and who now wish to employ an apprentice directly, be eligible for subsidies and incentives? Will the apprentices be eligible to receive the \$400 incentive?”**

As for the answer to Question 4, no one group of bricklayers is being targeted as a preferred avenue to increase the number of apprentice bricklayers; and, as stated in the answer to Question 4, employment through group training companies or similar structures is a requirement. The \$400 incentive is only

available to apprentices who complete pre-apprenticeship training in Victoria. There is no pre-apprenticeship training in NSW, and it has only commenced in Queensland during the last 12 months. In Queensland, the ABBTF is approaching TAFE colleges to encourage the provision of pre-apprenticeship training courses, and is paying the fees of participants.

8. **“Has AMBA received accreditation as a training provider such that its apprentices attract the subsidies and incentives provided by the program? Have any other training providers or categories of training providers, apart from AMBA and TAFE colleges or institutes, received accreditation as training providers such that their apprentices attract those subsidies and incentives? Have any other training providers or categories of training providers, apart from AMBA and TAFE colleges or institutes, applied for such accreditation?”**

As noted in the answer to Question 5, the ABBTF has now recognised AMBA’s training college for the purposes of incentives and support programs.

No other training providers, apart from AMBA and TAFE colleges have received accreditation.

Other training providers have applied for accreditation, but they used the on-site mode of training apprentices and, therefore, were rejected.

The strength of the TAFE sector in Victoria means that it is the dominant provider of training for bricklaying apprentices.

Private training providers have a larger role in the provision of apprenticeship training in other states, and the ABBTF supports the employment of apprentices who receive their training from private training organisations in other states (subject to the proviso that the organisations take apprentices off their worksites to deliver the training).

9. **“What are the ABBTF's criteria for assessing applications for accreditation from training providers which are not TAFE colleges or institutes?”**

There are no formal criteria for assessing applications, apart from the stipulation regarding delivery of the training component of the apprenticeship offsite. The ABBTF wants apprentices to demonstrate appropriate skill development, so it looks at the skill development of apprentices as a part of the assessment of their training providers. The ABBTF also looks at the skills of the trainers that an applicant uses; it watches the training and the development of the apprentices; and talks to employers and apprentices to gauge their level of satisfaction with the training.

The ABBTF is also concerned to make training available anywhere, so that it is accessible to apprentices. In some instances, in some country areas, the ABBTF is aware that apprentices may have to travel for an hour and a half to attend training. Significant rural areas do not have any training providers available and apprentices may be forced to relocate for a few weeks to receive

training (some may choose to do the training component away from home and will bypass several training providers in order to go a training provider of their choice, but others have no option and have to travel long distances or temporarily relocate). The shortage of training facilities in some areas contributes to the attrition rate among apprentices. The ABBTF will provide support in areas which are poorly serviced in order to promote skills uptake.

If any training provider of sufficient standard wishes to establish facilities in areas that are not adequately serviced, the ABBTF will include them in the program. If a training provider wishes to open a facility in an area which is already serviced by another training provider, the ABBTF would be concerned about encouraging duplication of resources but would not exclude the new provider from the program merely because it was “next door” to an existing training provider.

- 10. “The ABBTF's application refers to a total of approximately 25,000 bricklayers working in Australia, while the MBA submission refers to approximately 20,000 bricklayers working in Australia in 2001 (see table on page 2 of the MBA's submission). Both documents cite the ABS as the source for the numbers quoted. To which year does the figure of 25,000 relate?”**

The ABBTF looks to recent figures from the Department of Employment and Workplace Relations, which suggest that there are 28,000 bricklayers in Australia. However, this includes some part-time workers, and the ABBTF assumes that there are 25,000 full-time equivalent bricklayers working in Australia. The ABBTF also notes that the group which identifies itself as bricklayers is to some extent a “floating population”, in which some people leave the bricklaying workforce (and perhaps re-enter it again at a later point). People who leave may continue to identify themselves as bricklayers after they stop working in the trade, because they have qualifications as bricklayers. On the other hand, people who are not qualified but are working as bricklayers may identify themselves as bricklayers. In these circumstances, identifying the number of qualified bricklayers currently engaged in the trade is difficult. The figure of approximately 20,000 bricklayers, which the MBA quotes in its submission, is the lowest the ABBTF has seen.

- 11. “The ABBTF's application also states (at page 6) that 830 bricklayers need to be replaced each year. It also appears to assume that on average 600 will leave in Victoria, New South Wales and Queensland in each of the next 10 years (ABBTF Business Plan, at page 4). How many bricklayers will leave each year in the other states and the ACT? The MBA's statistics, sourced from the ABS, appear to assume that an average of approximately 370 will leave the industry as they reach retirement age (see table on page 2 of the MBA's submission: 2,316 bricklayers aged 55 years and over less 20% [463] who work past 60 years of age, divided by 5). How does this number relate to the numbers quoted in the application and business plan?”**

The ABBTF conducted a survey in 2002, in which 400 people involved in the bricklaying trade were interviewed. From this, it found that the average age of

bricklayers was 40 years and one third of bricklayers were over the age of 45. Most of these people will leave the industry during the next 10 years. Having looked at what is looming, i.e. not only those who are currently leaving, but also the likely acceleration of departures in the near future, the ABBTF believes that 830 bricklayers need to be replaced each year.

12. "The quality of potential apprentices also appears to be a matter of concern. What are some of the issues relating to the quality of the apprentices (i.e. literacy and numeracy, expectations, attitudes to work)?"

The literacy and numeracy levels of potential apprentices are a concern. It seems that students who demonstrate reasonable levels of literacy and numeracy are encouraged to undertake further education, usually at university. This is also usually in keeping with the aspirations of those students. Those who have difficulty with literacy and numeracy skills are sometimes directed towards apprenticeships. Some potential apprentices also have unrealistic expectations of the work involved in a bricklaying apprenticeship, and may more generally have a poor work ethic. This is particularly the case for apprentices from major cities. Potential apprentices from country areas tend to have more realistic expectations and a better developed work ethic.

13. "The AMBA submission suggests that there has been a transfer of existing apprentices whose employment did not attract the subsidies and incentives into other employment as a bricklaying apprentice which does attract the subsidies and incentives. In the figures relating to increases in apprenticeship numbers that result from the promotional efforts and subsidies which ABBTF quotes, do the figures represent only new entrants to the bricklaying trade or are some existing apprentices who have transferred or been transferred into employment that attracts the subsidies and incentives also included?"

The ABBTF has a rule that it provides the subsidies to support the employment of new apprentices. If an employer, such as a group training company, seeks support for the employment of an apprentice who has previously been directly employed elsewhere as an apprentice by a bricklayer, the ABBTF will only provide subsidies if at least 6 months has elapsed between the end of the original direct employment and the beginning of the new employment by a group training company. Therefore, an existing apprentice who commenced with a new employer (group training company) would have to endure 6 months of unemployment before starting the new employment, before the new employer could be eligible for subsidies. This rule acts as an effective disincentive to switching of apprentices from employment that does not attract subsidies from the ABBTF into employment that does.

Tim Scott