



Industry Snapshot

Building and Construction Industry Training Fund

March 2009

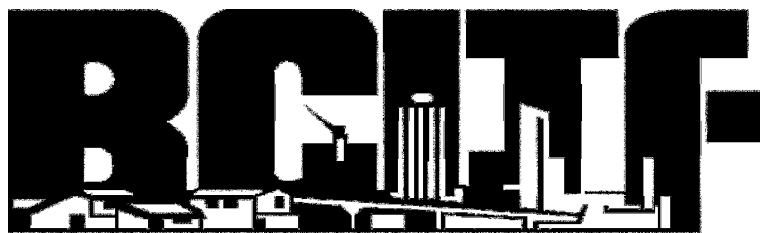


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Executive Summary

The purpose of this report is to provide recent data to show the dramatic changes that have occurred due to the Global Economic Crisis (GEC) of 2008/09 and how they are impacting on the Building & Construction industry in Western Australia.

The report will be provided on a quarterly basis to enable recent events to be monitored, evaluated and used as a basis for decision making.

The GEC has caused major changes to the employment prospects of apprentices and trades-people within the Building & Construction Industry. The long-term effects of these changes need to be carefully considered if we are to avoid a repeat of the previous five years of skills shortages.

2008/2009 to Date

Consumer Price Index.

The Perth consumer price index fell by 0.3% in the December quarter 2008, the first quarterly fall in almost ten years. The eight capital city weighted consumer price index also fell by 0.3%. Most of the fall is attributable to the fall in transportation, particularly lower petrol costs while food and housing costs were the largest contributors to price increases.

Over the year to the December quarter 2008, the Perth and eight capital city weighted consumer price indexes both increased by 3.7%.

Employment State-wide

Seasonally Adjusted

Seasonally adjusted employment in Western Australia grew by 0.2% to 1,166,120 between January and February. Employment rose by 2.1% over the year but fell by 0.3% over the three months to February 2009.

Trend

Trend employment in Western Australia decreased by 0.2% between January and February. Employment rose by 2.7% over the year and dropped by 0.5% over the three months to February 2009.¹

Number of people employed in the construction industry

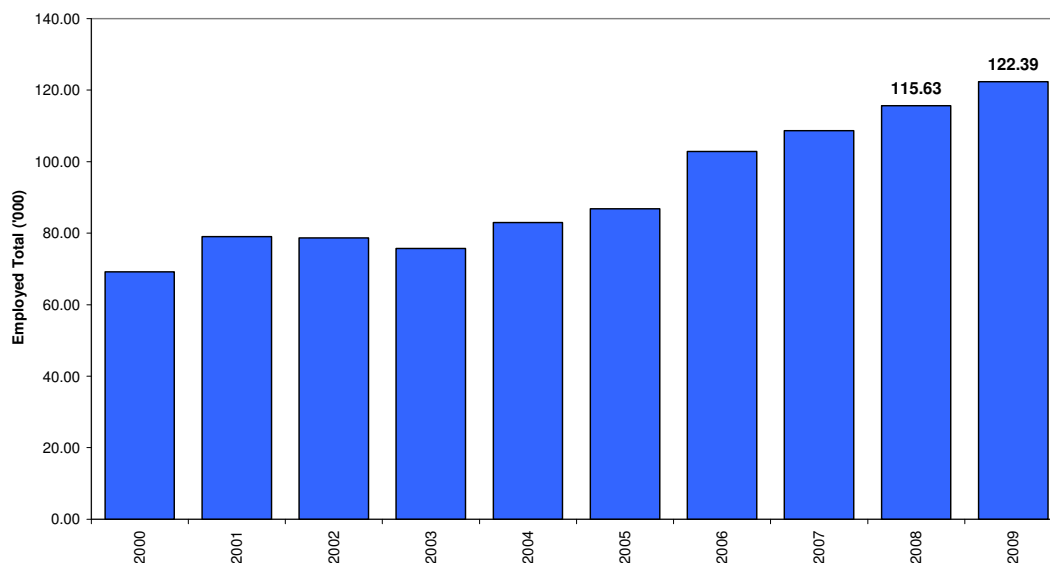
In the building industry, the most recent indications to February 2009 are that employment has stayed reasonably steady, with only a slight fall from November 2008 to February 2009 to 122,300.² Caution needs to be exercised in interpreting the data as the quarterly surveys are only sample surveys and not census surveys.

The following graph is the totals for the four quarters to February of each year, over the last 10 years to February 2009.

¹ Department of Treasury and Finance. Economic Note, Labour Force, February 2009
<http://www.dtf.wa.gov.au/>

² Australian Bureau of Statistics. Table 05. Employed persons by State and Industry.
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/>

Construction Workforce last 10 years in '000s
Annualised Quarterly Data to Feb 2009



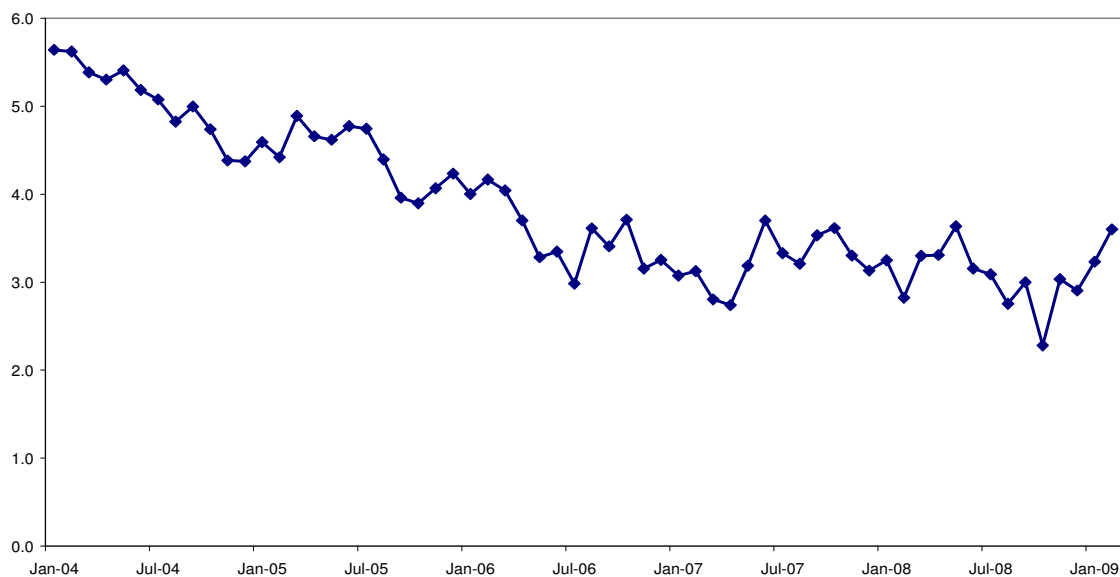
Unemployment

Seasonally Adjusted

The seasonally adjusted unemployment rate in Western Australia increased by 0.9 percentage points to 4.2% between January and February. The unemployment rate rose by 1.4 percentage points over the year and grew by 1.1 percentage points over the three months to February 2009.

The trend unemployment rate in Western Australia increased by 0.3 percentage points to 3.6% between January and February. The unemployment rate rose by 0.5 percentage points over the year and grew by 0.7 percentage points over the three months to February 2009.

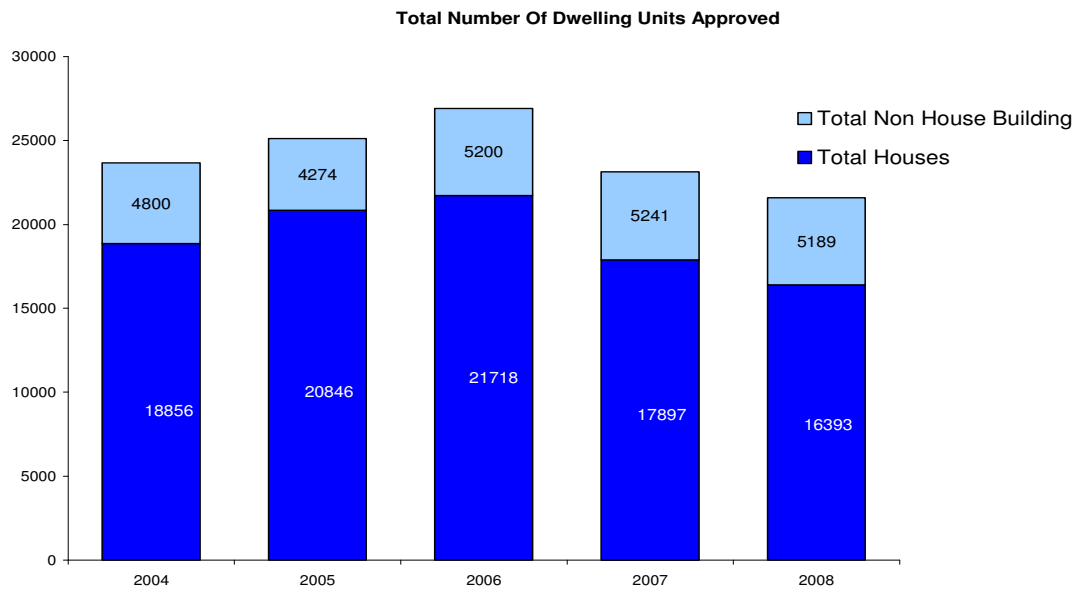
Unemployment Rate WA
over the last 5 years



ABS.

Number of Building Approvals

3



ABS

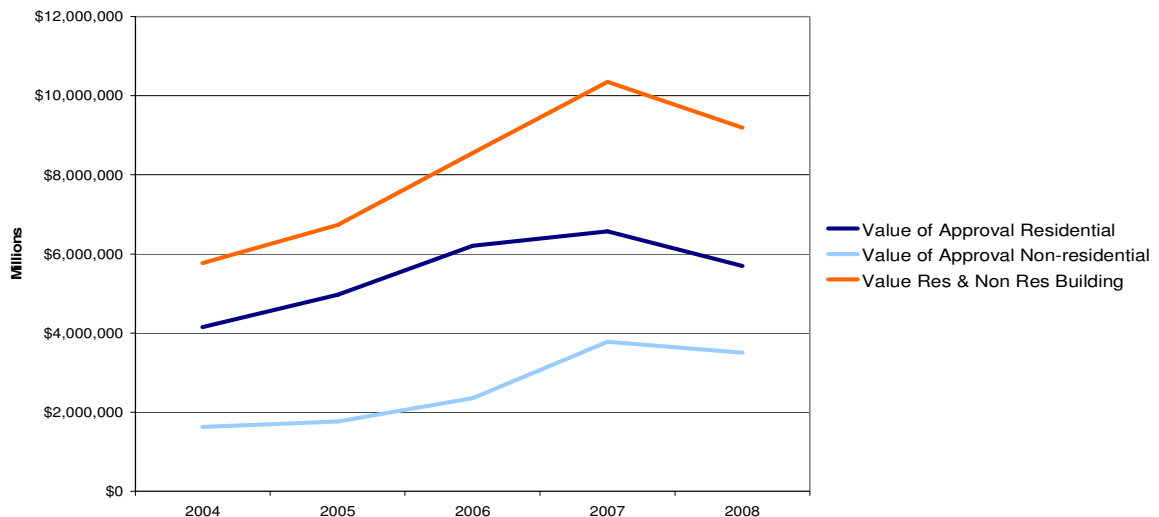
Building approvals are down from a peak in 2006.

- The percentage fall over the year from 2007 to 2008 is 17%;
- The fall for the previous February and the February 2009 is 15%.

However, an increase of 20% was recorded for the month from January 2009 (1371) to February 2009 (1644) in seasonally adjusted terms.

Value of Building Approvals

**Value of Residential and Non-Residential Building WA
Yearly totals 2005 to 2008**



The graph shows the value of residential and non residential building, as well as the total of the 2, over a 5 years period. The value of building approvals :

- reached a peak of \$10,346,321 million in 2007.

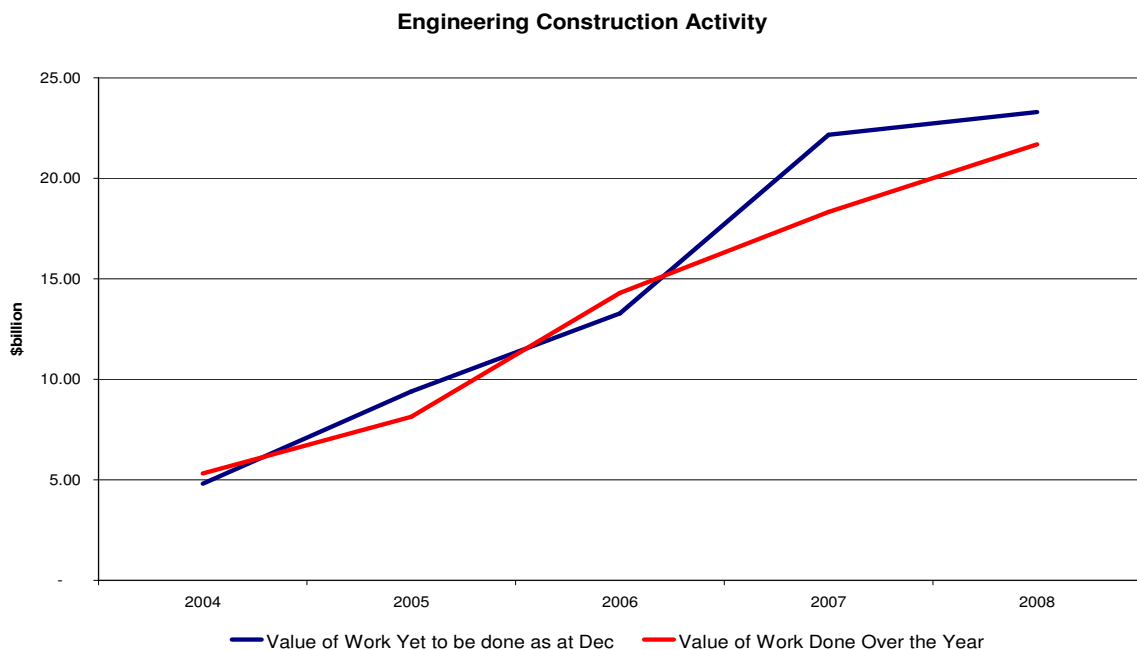
3 8731.0 Building Approvals. Table 05. Number Dwelling Units Approved, Western Australia.

8731.0 Building Approvals. Table 34. Value of Building Approved, Western Australia

- value February 2009 non residential approvals were down 65% on the previous February, yet down by only 7% for the year (2008:2007)
- value February 2009 residential approvals were down 37% on the previous February and 13% for the whole year (2008:2007).
- There was a 2% drop in the value of residential approvals for February 2009 from the previous month.

Engineering Construction Activity.

The value of Engineering Construction Work Done reached a peak in 2008 with \$21.7 billion worth of work in original prices, which was an increase of 18% on the previous year and a 14% increase on the previous quarter.⁴



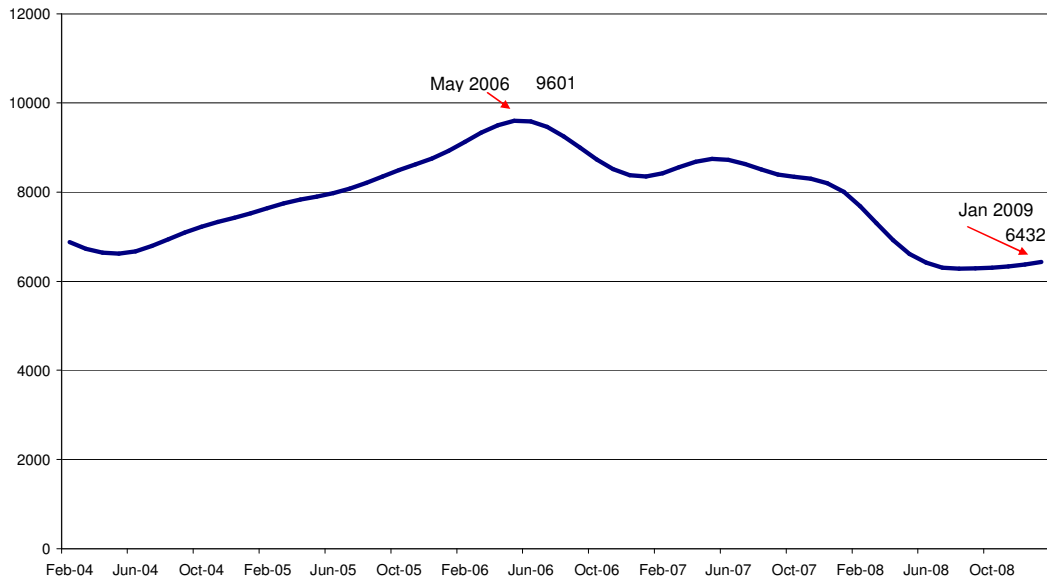
The backlog of activity in engineering construction is still significant. In WA, around \$23.0 billion of engineering construction work remained outstanding in December 2008, compared to the \$6.3 billion of work progressed during the previous quarter (and the \$21.7 billion for the year.)

Housing Finance Commitments

Housing finance commitments reached a peak in May-2006 with 9,601 for the month. In Jan-2009 owner occupied housing finance commitments were 6,432 for the month, which is up from a low of 6,278 in Aug-2008, and an increase on the December total of 6,378.

⁴ 8762.0 Engineering Construction Activity, Australia Table 5. Activity, Original ABS April 2009.

Number of Owner Occupied Housing Finance Commitments WA



ABS⁵

Underlying Demand

The state of the rental market puts pressure on the new housing market. The current vacancy rate is 2.4% in Perth which is an increase of 0.8% on the previous year with a median rent of \$370 which is an increase of 8.8% for the same period. Such increases, along with the fall in interest rates will make the purchase of a new house a more attractive proposition.⁶

Apprentice commencements

There is strong evidence to show that there has been a large reduction in the number of apprentices within training and a marked reduction in the overall number of apprentices commencing in 2009. However, in 'finishing' trades such as cabinetmaking, painting & decorating, there is anecdotal evidence that employment numbers are being maintained. These trades appear to be catching up with a backlog of work caused by the previous skills shortage. This situation will need to be monitored as the recession progresses as these finishing trades will be 'late affected' and 'late recovering'.

The late affected trade areas may therefore find that as the recession ends, the 'baby boomers' exit and job prospects improve, they may have difficulty recruiting in what will become a skills shortage period that could be worse than the previous five years.

As the recession ends the early affected trades such as plastering, wall and ceiling fixing will be first to advertise and may well absorb large numbers of apprentices and leave other trade areas in shortage.

Anecdotal evidence estimates that we could lose between 25% and 35% of the workforce to retirement when the economic situation improves. Coupled with

⁵ ABS, 5609.0 Housing Finance Australia to January 2009, Accessed March 2009.
⁶ Property Market Indicators <http://reiwa.com/res/res-marketindicators-display.cfm>

reduced training effort throughout the recession the skills shortage will be a reality and may damage or eliminate the increased training effort of the last five years.

Institutional Training – Pre-Apprentices

During this early stage of recession there is also evidence that registered training organisations (RTO's) are seeing a large reduction in employment based training (EBT) for apprentices and trainees.

A short sighted solution will be to train high numbers of pre-apprentices over a short period, usually 15 weeks, and find there are no job outcomes or prospects as the recession either stabilises or deepens. This situation will result, in most cases, in wasted training effort and lead to high numbers of young people with a baseline qualification and no employment outcome.

One option is to extend the duration of pre-apprenticeships but without extension to 'training or teaching hours'. For example, the 600 hour pre-apprenticeship could be extended to 30 weeks at 20 hours per week rather than 15 weeks at 40 hours per week.

If further hours of training were provided then pre-apprentices could complete more of their training institutionally and allow the economy up to a year to show signs of recovery. However, if the recession deepens then even more institutional training for the same pre-apprentices may need to be considered. Work experience would therefore be critical for these pre-apprentices and it is suggested that Government agencies be encouraged to provide work experience opportunities if it is not available in mainstream industry.

Suspended Apprentices

There also needs to be consideration given to allowing apprentices, who are suspended due to economic downturn, to continue with their off-the-job training as per the training providers schedules or in dedicated sessions provided for groups of suspended apprentices. The only drawback will be that completion of apprenticeship will not occur until on-the-job competence has been achieved. This suggestion would make it more attractive for employers to employ these apprentices once the recession eases.

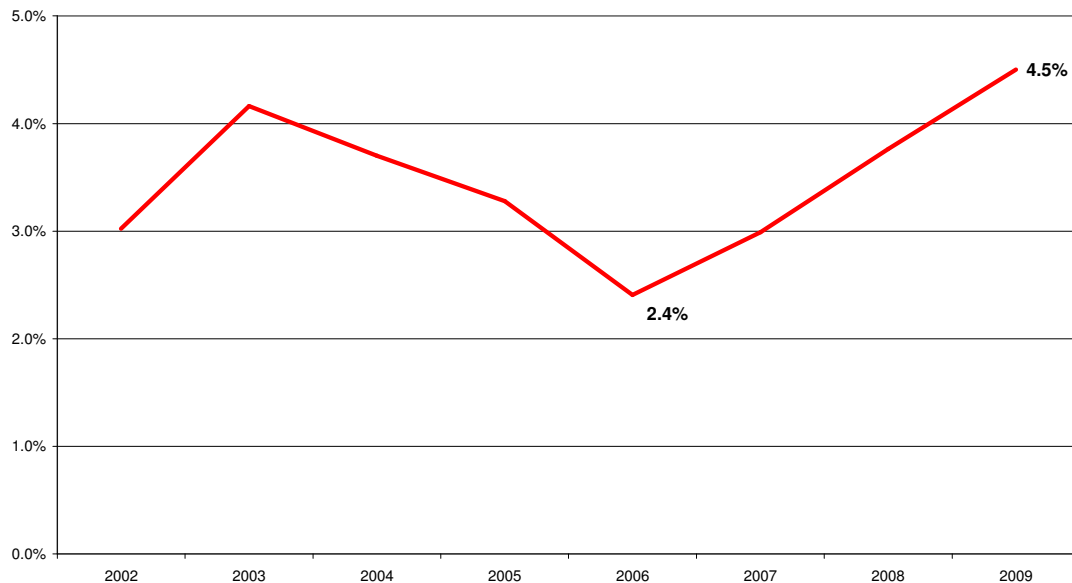
It is also suggested that suspended apprentices be provided with fee-help beyond concessional fee payment. This assistance could help pay for enrolment fees, consumable and resource fees and study materials such as text books.

A number of Commonwealth initiatives have been proposed to alleviate the sharp increase in apprenticeship suspensions. These initiatives could provide funding for employers who employ suspended apprentices and then ensure completion of the apprenticeship. In addition, it has been proposed that employment of apprentices within new, major infrastructure projects will be mandatory.

It has also been suggested that there may be 'work for the dole' payments for apprentices who are about to be stood down due to lack of work. This suggestion will allow apprentices to continue with their training.

All of the previous strategies are aimed at maintaining training effort and avoid further skills shortages when the economy improves.

Rate of Apprentice Suspension Over the Last 5 Years

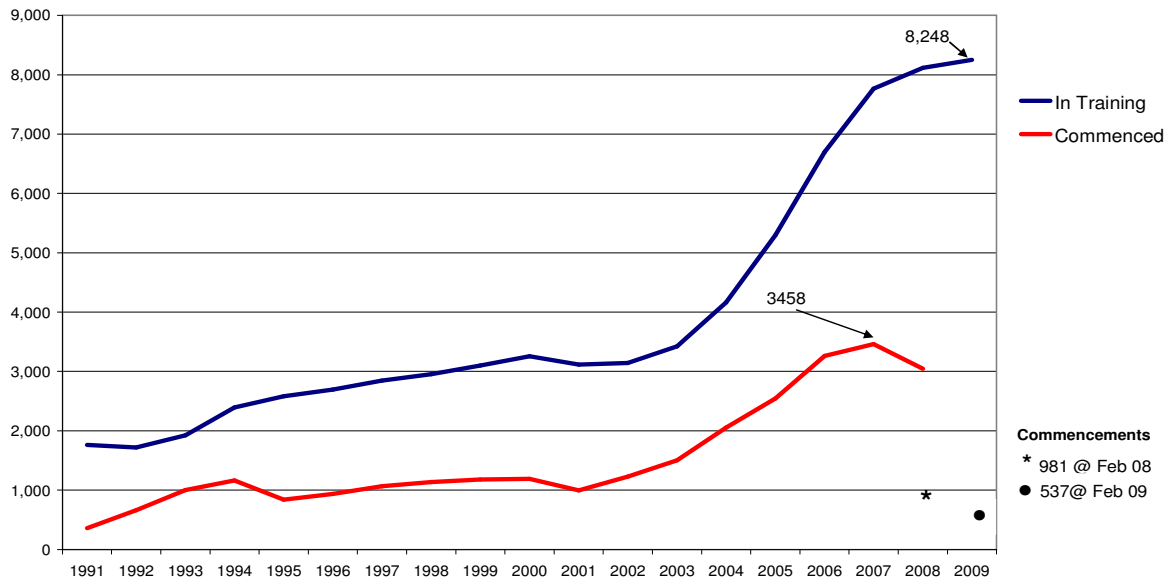


As at the end of March 2009 there were 306 apprentices on suspension. The rate is shown in the above table, as the number of apprentices on suspension would be expected to increase as the number of active apprentices increases. Thus the suspension rate is a better measure to give an indication of whether the proportion of apprentices suspended to active apprentices is increasing, and the graph shows that since a low of 2.4% in 2006, rates have shown an increase. .

Apprentices currently “In Training”

As at February 2009, apprentices-in-training are at an all time industry peak. This is due, in part to record commencements which have been experiencing a significant upward trend since 2001. Nonetheless, in-training numbers have now begun to stabilize, as the growth has been slowing over the last couple of years.

**Apprenticeship Commencements and In Training
1991 to 2009**



Apprentice commencements have been very strong over the last few years, with a peak occurring in 2007, and the **rate** of commencements have been slowing since then. However, there has been a marked drop in commencements for the first 2 months of this year which are down by 45% compared to the same January/February period in 2008.