

# ANNUAL TRAINING PLAN

# 2012-13



SOUTH AUSTRALIAN HEALTH AND MEDICAL RESEARCH INSTITUTE (SAHMRI)



**Construction Industry  
Training Board**

*Building Skills. Future Workforce.*



One of the key reasons the Training Fund was established is to help offset the damaging impact of the decline phase of the cycle on training activity.

## EXECUTIVE SUMMARY

The Construction Industry Training Board's (CITB) Annual Training Plan (ATP) is prepared as its key business planning activity.

The ATP is submitted to the South Australian (SA) Minister for Employment, Higher Education and Skills in accordance with Section 32 of *The Construction Industry Training Fund Act (1993) (The Act)*.

The ATP is framed in the context of a formal structured consultation process with industry, through the sector advisory committee structure prescribed in *The Act*, and with stakeholder focus groups and working parties as required.

The ATP outlines the training support programs and in broad terms, the associated direct costs of training which form the basis of supported training activity in the forthcoming Training Year. It also documents the objectives and strategies adopted by the Board.

The ATP for 2012-13 has been developed with the underlying assumption that if revenue expectations are not met in 2012-13 then the CITB will come under pressure with less capacity to recover than was the case in the past 18 months.

The ATP has been framed in the context of four key environmental influences:

- A marked contraction in industry activity, a muted outlook and a decline in levy revenue following the peak of the economic cycle induced by the Commonwealth stimulus funding peak of 2009-11.

- An increase in our exposure for apprentice support flowing on from the high number of apprentice commencements in the preceding three years, moderated by falling apprentice commencements arising from the current industry contraction.
- Monitoring of the impact of the State Government's *Skills for All* initiative and cognisance of the Commonwealth's *Skills for All Australians* program.
- Awareness of the draw on skilled labour that is being generated by the resources boom in Western Australia and Queensland, with the Olympic Dam Expansion (ODX) project to follow in South Australia.

### Key Points

#### Environment

- The SA building and construction industry is in contraction. CITB levy revenue has declined in real terms from the peak of 2009-10.
- Activity in 2012-13 is expected to be particularly muted in comparison to the preceding three years.
- The Board has applied the strategic Reserve to maintain training support as a counter-cyclic measure over the past two years, and will do so again in 2012-13 albeit to a more limited extent.
- The industry outlook is sombre and on the basis of current data, is expected to remain so for some time (1-3 years). Indications are that activity will

settle at a level which approximates the situation immediately prior to the GFC in 2007-08.

- CITB's operating result for 2011-12 will be a second successive, significant deficit. This is the first time that this has occurred in the 19 year history of the CITB. The extent of the deficit in 2011-12 has been moderated by cost controls put in place in January 2012.
- The industry relies on the small business / self-employed contractor segment to employ and train the majority of our trade apprentices. A tightening market makes the industry far more cost-sensitive. A prime example includes pressure induced by disrupted cash flow as projects reduce in number and continuity. Such pressure can adversely affect apprentice commencements, retention and completion.
- The current environment will increase the importance of CITB support measures in the calculations by an employer in deciding whether to take on or retain an apprentice.
- The Board had resolved to return the CITB to a sustainable budget position in order to protect its future capacity. The 2012-13 ATP represents a transition to this objective.
- On the basis of a better than anticipated operating result for 2011-12, the Board has taken the decision to incur an unprecedented third successive, albeit smaller, deficit in the 2012-13 year. This decision has been taken to reinforce the capacity of industry to support its apprentices in training through to completion.

## Response

- This ATP is informed by Industry Activity and Workforce Demand forecasting derived from a range of sources including CITB's own data collection capability.
- The CITB proposes to retain the extant scope of its support and programs, but it will reduce the rate / quantum of funds it can apply to particular outcomes.
- In the face of declining apprentice commencements, it is imperative that completions among the apprentice cohort in training are maximised and that employers and apprentices are supported to this end.
- The Board has moderated its original intent to achieve a balanced budget in 2012-13 on the basis of:
  - > the agreed need to support employer training capacity during the current industry contraction
  - > savings achieved as a result of control measures put in place in January 2012
  - > anticipated savings as a result of the treatment of Certificate III Electrotechnology in the *Skills for All* construct.

## Program Composition and Resourcing

The Three Program structure is retained in the 2012-13 Year in priority order (for more information on these programs please refer to our website [www.citb.org.au](http://www.citb.org.au)).

### \$9.6M for the Apprentice Training Support (ATS) program

Construction is a very competitive acutely price-sensitive industry. The sub-contracting framework evolved in response to this environment.

Paradoxically the construction industry relies on its sub-contracting community to hire and train most of its apprentices. Under current industrial law, the employer bears responsibility for the cost of training of employees including apprentices.

External funding support provides small employers with the capacity to meet these responsibilities. External support comprises Commonwealth-State joint funding of off-job training, Commonwealth employer subsidies and industry training fund payments.

The CITB's ATS program recognises the off-job and on-job components of the structured training program that comprises construction trade qualifications.

The wider construction industry places particular value on the on-job component of apprentice training. This is reflected in the balance of funding support provided under this program. Tuition funding addresses the off-job component whereas on-job log book and progressive completion funding address the employer-delivered training component.

CITB expects to support more than 4,000 apprentices and their employers in 2012-13.

### \$5.9M for the Current Worker program

The number of training places has been maintained at a target of 30,000. This represents a very high training rate, given the total workforce of about 60,000.

The funding rate will be reduced to meet the allocated budget with some refinements to maintain focus on core construction and safety training.

### \$1.0M for the Research, Skills Development and Innovation Program (RSDIP)

This provision gives the Board some flexibility to broaden the scope of coverage of the Fund to include people to be targeted for entry or re-entry into the industry via a range of mechanisms, and to develop training responses to meet emerging needs.

Key elements of the RSDIP in the 2012-13 ATP are:

- Skills Development & Innovation including the D2C, and Aboriginal Workforce Development,
- Rolling Initiatives such as Building Information Modeling, Heritage Trade Support, Wise Guys, Migrant Worker Support, and
- Emerging Initiatives which are developed throughout the year as stakeholders advise the CITB.

This program's funding has been reduced from that allocated during 2011-12 in order to maximise resources available for the two core programs, while covering statutory obligations.

## Funding Program and Sector Split

The Board has historically sought to maintain the proportion of funding for the Current Worker program at 45% of total training funds expended and Apprentice Training Support at 55%.

The table below shows the allocation of funding across the sectors.

### ALLOCATION OF FUNDING ACROSS THE SECTORS

	Civil	Commercial	Housing	Total
<b>Revenue</b> (average over 5 years)	21%	37%	42%	100%
<b>Allocation of Funding</b>				
Apprentice Program	13%	23%	26%	62%
Current Worker Program	8%	14%	16%	38%
<b>Total*</b>	21%	37%	42%	100%

All figures in this table have been rounded





Flexibility to include people to be targeted for entry or re-entry into the industry via a range of mechanisms, and to develop training responses to meet emerging needs.

## ATP DEVELOPMENT

The ATP is developed in a formalised process of evaluation of the previous year's results and assessment of anticipated training demand, in consultation with key stakeholders in the SA building and construction industry. It is also framed in the context of *The Act*, and budget guidance.

As previously outlined, the CITB has formally constituted advisory committees based on the defined sectors of the industry: Housing; Commercial; Civil; and, (albeit not formally prescribed in *The Act*) the Specialist Services Committee, encompassing plumbing, electrical and climate control. In addition the CITB regularly liaises with industry associations and RTOs.

The ATP is shaped in the context of the environment in which the industry operates, which includes regulation, economic activity and government policy. Its fundamental aim is, in accordance with *The Act* to meet the assessed needs of the industry as articulated by our stakeholders and advisory committees.

Close progressive monitoring of the 2012-13 ATP will be required to ensure that expenditure stays within the target limits, with the greatest threat being that levy collections fall below budget. CITB seeks to assure the stakeholder community that its strategy is sustainable beyond 2012-13. An established process exists for mid-term review in December. Underlying risks are greater than at any time since 2004-05 and the extent to which they persist will be a major test for the CITB.

### Skills for All

*Skills for All* is the South Australian Government's new direction for vocational education and training in South Australia and will see \$194M invested over six years in support of 100,000 training places across the economy.

The CITB and Department of Further Education, Employment, Science and Technology (DFEEST), have worked to ensure that there is no duplication of training support measures between the CITB and *Skills for All*, while addressing the unique needs of the building and construction industry that distinguish it from other industry sectors in the economy.

CITB will participate in a working party to examine detailed course offerings to develop advice on programs valued by the industry and where there may be opportunity for savings.

Government funding for the training of apprentices and trainees is provided to Registered Training Organisations (RTOs) through the *User Choice* mechanism, for the delivery of formal off-job trade training in the qualification linked to the Training Contract for an apprentice or trainee. In South Australia a student fee surcharge is generally applied by the RTO (except in the case of 'Fee Free' courses), payment of which is the responsibility of the employer, under contemporary legislation.

The CITB Apprentice Training Support (ATS) provides funds to employers as follows:

- Off-Job Tuition funding offsets the tuition surcharge where it applies.
- On-Job Progressive Completion and On-Job Log Book funding is paid to the employer for meeting specified requirements in the on-job training component of the Training Contract.

*Skills for All* will support entry level pathways through fee-free courses at Certificate I and II level.

The industry has mixed views of the value of some of these courses as a prerequisite for construction industry employment. The value of Certificate 1s is generally seen as being limited to

school-based VET programs. Many Certificate IIs do not articulate cleanly to the more highly valued Certificate III trade qualifications.

*The Act* restricts CITB support to workers employed *within* the industry.

*Skills for All* will also provide funded training under the Training Guarantee for SACE Students to support young people to complete the SACE in conjunction with a Certificate III pathway.

- The interface of these measures with the Doorways 2 Construction (D2C) program may provide opportunities for D2C Plus students.

*Skills for All* funding is also directed to existing workers through the *Skills in the Workplace* program which is focussed on qualifications at Certificate IV and above, nationally recognised skills sets and customised skill sets to meet employers' specific skills needs.

- The CITB Current Worker program is directed towards licencing, regulatory, compliance and short course demand, refresher and update training outcomes and emerging needs which are not addressed within Training Packages and so fall outside the *Skills for All* framework.
- The only nationally recognised Skill Sets in the Construction training packages are few in number. All relate to trade licencing and have as a pre-requisite a Certificate III trade qualification. Nationally recognised skill sets in construction do not provide a stand-alone post trade level qualification.

# WORKFORCE DEMAND

CITB has undertaken an extensive study of industry activity and workforce data since the period 2003-04 until present. This data has been subject to correlation analysis. A detailed study of industry forecast data provided through the Australian Construction Industry Forum Council (ACIF) has also been carried out.

Integration of this data has supported an extrapolation of the relationship between industry activity and workforce / apprentice numbers out to the period 2019-20.

This information has been used as the basis of CITB's five year forecasting model which underpins our financial planning.

## Industry Activity

The industry has grown steadily from FY2004 until 2010, although a decline commenced from the beginning of 2011.

It is worthwhile to note that both the Commercial and Civil sectors experienced strong growth in FY2009 through FY2011 due to the Building Education Revolution (BER) stimulus program, and significant infrastructure projects such as Adelaide Desalination Plant, Northern Expressway and South Road Superway.

The Commercial sector is currently buoyed by a number of large publicly funded projects such as Adelaide Oval, NRAH, SAHMRI and the Convention Centre re-development. Mining-related construction work associated with Olympic Dam Expansion (ODX) should follow, which will in turn likely generate private sector commercial developments.

The Civil Sector has perhaps been hardest hit, particularly small local companies. There is anecdotal evidence of significant loss of skilled personnel lured interstate by resource projects in WA and Qld.

Growth in the Housing sector was boosted under the Commonwealth stimulus programs, but has declined, mainly in the wake of earlier vigorous levels of activity, and the retraction of

the first home owners grant, tightened lending conditions, and declining market confidence. This circumstance is evident in most states.

The outlook for the housing sector is of great concern because it employs and trains the majority of trade apprentices and is thus a mission-critical 'nursery' for the rest of the industry.

The consolidated industry forecast from 2013-2020 is for a relatively flat activity / growth trendline, reflecting more modest pre GFC levels across the industry.

## CITB Revenue

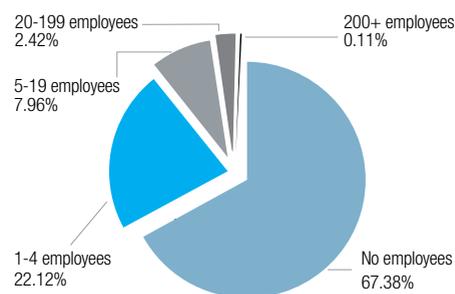
- Major projects >\$100m constitute less than 15% of CITB's revenue. 86% of all CITB levy revenue is derived from projects of less than \$100M in value. 50% are under \$1M in value.
- Major publicly funded projects, with the exception of the New Royal Adelaide Hospital (NRAH), will largely be completed during FY 2013-14. Levy revenue for most of them has already been realised, whereas in the case of the NRAH project, the levy is being collected on a progressive instalment basis.
- Mining related infrastructure (roads, rail, airport, ports and a desalination plant) projects are in 'the pipeline', to varying degrees. These projects are anticipated to compensate as current commercial projects complete, but timing and scale is hard to gauge until formal commitment is made.
- Mining-related construction activity remains a relatively small component of total industry activity. Even when ODX is approved, the net increase in activity will really only offset declines in major projects completing between now and the end of Calendar Year 2013.
- ODX is dwarfed by the totality of mining activity in WA and Queensland which is likely to pose a greater influence on demand for SA-sourced skilled labour than local mining activity. That impact is being felt already as skilled workers are lured interstate.

## Industry Profile

The Construction Industry in South Australia is characterized by some 22,147 registered businesses and a workforce of 60,000-70,000 workers depending on the trajectory of the prevailing economic cycle. Very small self-employed, sole-trader businesses are prevalent.

The following 2011 statistics are cause for reflection<sup>1</sup>:

### REGISTERED COMPANIES OPERATING IN THE SA CONSTRUCTION INDUSTRY 2011 (N=22,147)



The industry is distinguished by the fact that the very large majority of apprentices are employed and trained by very small, often 'mum and dad' sub-contracting businesses. This training occurs through a host employer with an arrangement with a Group Training company, or a direct indenture arrangement.

This structure, while in theory providing operational flexibility for builders and clients, makes the apprentice training regime vulnerable to cyclic variation in levels of activity and cash flow. If there is a break in the continuity of their work the small business employer comes under extreme pressure to meet salaries and related costs. This single factor is one of the key reasons why 67% of businesses in the industry do not hire at all.

1 Source: ABS 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2007 to Jun 2011 - Issued 24 April 2012



# OVERVIEW OF OPERATIONS

## Scope of CITB Funding Support

The scope of CITB funding support is prescribed in The Act, Part 6 Section 32 Clause 8. In essence the Board is required to ensure that the resources of the Fund are only allocated to structured training programs within the building and construction industry in South Australia.

It is for this reason that the CITB has a rigorous policy-based framework in place to manage the collection and attribution of the resources of the Fund.

The CITB does not provide capital funding to associations or RTO, or any other agency or entity. Neither does it fund generic training or transition to work programs. It defines the industry as those companies which generate more than

80% of their revenue from building and construction work as defined in *The Act*.

Eligible individual workers must be employed in the industry and generally engaged in on-site construction activities. However, with increasing emphasis on productivity gains made through off-site construction, the distinction between on-site and off-site construction activity is under constant review by the Board.

The key CITB policies, that underpin its governance framework to ensure compliance with *The Act*, include:

- Apprentice Training Support
- Current Worker Program
- Contingency sub-program



## TRAINING SUPPORT AVAILABLE FOR PROGRESSION THROUGH APPRENTICE QUALIFICATIONS

Incentive Funding	How Much	Paid to Whom
<b>Tuition</b>	Up to \$1,500. over the three year period of an Apprenticeship when "Off Job" training takes place (with a maximum payment cap of \$600 in any one year of the Apprenticeship).	The Employer or the RTO in order to reduce the surcharge imposed on the employer. "Fee Free" courses not eligible.
<b>Progressive Completion</b>	Up to \$1,600 on the anniversary of the Training Contract. <i>(Note: Electrical trades receive 50% of the funding (\$800))</i>	The Employer
<b>Final Completion</b>	Up to \$1,600 on the anniversary of the Training Contract and evidence of formal completion of Training Contract. <i>(Note: Electrical trades receive 50% of the funding (\$800))</i>	The Employer
<b>On-Job</b>	Up to \$1,800 on the anniversary of the Training Contract. <i>(Note: Electrical trades receive 50% of the funding (\$900))</i>	The Employer

*CITB reserves the right to vary the rates shown at any time in order to conform to resourcing constraints.*



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