



**Construction Industry
Training Board**

**STATE OF THE
SOUTH AUSTRALIAN
BUILDING INDUSTRY
AND ANNUAL
TRAINING PLAN
2009-2010**



EXECUTIVE SUMMARY

This report brings together a collection of data to provide a snapshot of the South Australian construction industry. Preparing a report about the state of the industry in the wake of the Global Financial Crisis (GFC) is an interesting undertaking. At the commencement of 2008-09 while there was some evidence that South Australia was faring relatively well, there were predictions that the future of the economy and, by association, the construction industry would not fare well.

Notwithstanding the forecasts, the South Australian construction industry, on most objective measures, enjoyed steady growth during 2008-09, although at lower levels than 2007-08. This activity took place well into the barrage of bad news emanating from overseas economies. It is also in stark contrast to some other Australian States where there was a contraction in growth and construction activity.

South Australia's industry has been fuelled by a number of factors such as the availability of land, the relatively low cost of housing and significant investment in large construction projects associated with defence, mining, commercial developments and civil infrastructure, notably the desalination plant being developed by AdelaideAqua.

The Construction Industry Training Board has good visibility of data to make short term predictions about future activity within a 12 month period, since one of the functions of the Board is to collect a levy on all projects that are approved for construction. Levy collections for 2008-09 increased by 5.4% from 2007-08 and the continuing growth experienced during the first half of the financial year is therefore predictable.

Beyond short term forecasts relying on approvals data, this report emphasises that forecasting future activity is a challenging pursuit in the current climate. On the one hand it is an important exercise to ensure that valuable resources are not squandered, yet the nature of the downturn has caused even the most experienced observers to revise their predictions in response to unfolding events.

At the time of preparing this report forecasts for Australia's economy were for continuing growth at a rate of 2.5% in 2010 and 3.5% in 2011¹¹. The construction industry in South Australia is predicted to increase by 3.5% (see Section 1.4). Some of this growth has been stimulated by government strategies to boost the economy by focusing on construction.

The relationship between construction activity and the size of the workforce is not straight forward. During the periods of strong growth in the construction industry to 2008-09, there was a steady increase in the numbers of people employed in the industry. However, the growth in the workforce was nothing like the growth in activity. Industry simply changed the way it works – new technology, working longer hours, working more efficiently.

There was, however, evidence of skills shortages in the South Australian workforce in 2007-08 and, at times, a gap between building approvals and commencements. Anecdotal evidence suggests that some of the delay in commencements was due to skills shortages and also to labour shortages. While this situation in some occupations abated in 2008-09, it is predicted that the problem will intensify in key occupations across the industry in the foreseeable future.

Strategies to address skills and labour shortages vary by occupational category. The most perplexing issue for the construction industry is that skilling a fully qualified tradesperson takes time and commitment on the part of the trainee and the employer. It also requires a level of confidence about the industry to supply sufficient work to justify the productivity costs, particularly in the first year or two of an apprenticeship.

The structure of the construction industry, which is dominated by self employed contractors, is just not geared to embrace the volume of training required to keep pace with activity. Group Training Organisations have made a significant contribution to the industry by engaging and managing the administrative burden of an apprenticeship. Despite concerns about the economy and the construction industry, there has also been a significant increase in the number of employers that have been prepared to directly indenture apprentices. Nonetheless, this increase and the availability of GTO apprentices is unlikely to meet future demand.



¹¹ See Organisation for Economic Cooperation and Development November 2009 report <http://www.oecd.org/dataoecd/7/0/20209193.pdf>