

# **INCREASING AUSTRALIA'S FUTURE PROSPERITY**

Productivity Commission Discussion Paper

Master Electricians Australia submission



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## About Master Electricians Australia

Master Electricians Australia (MEA) is a national employer association representing the interests of electrical contractors and the broader electrotechnology industry. As one of the longest running organisations of its kind, MEA has established itself as the leading voice of the electrotechnology sector. MEA is recognised by industry, government and the community as the electrical industry's foremost business partner, knowledge source and advocate. The organisation's website is: [www.masterelectricians.com.au](http://www.masterelectricians.com.au).

## Productivity reform proposals

MEA supports the proposition in the Discussion Paper that businesses are the immediate drivers of long-run productivity in the market economy and likewise, that Government plays a large role in outcomes for businesses. In order to better support businesses to contribute to national productivity, MEA recommends the following reforms be considered:

1. Occupational licensing reform
2. Changes to security of payment laws
3. Reform of the apprenticeship system

## REFORM PROPOSAL ONE: OCCUPATIONAL LICENSING REFORM

### *Background*

To remain competitive in the marketplace an electrical contractor needs to be more than just a company that provides power points and light switches. Most electrical contractors now provide data cables, smoke alarms, TV antennas, solar PV and solar hot water, security systems and a growing list of energy efficiency and digital technologies. To perform this work for the public electrical contractors need a number of worker and business licenses, all of which have separate fees and processes for applying and maintaining each license. Contractors operating across state lines face an even greater administrative and financial burden. Most interstate license classes do not align with each other, so moving from state to state or living near a border in locations such as Tweed Heads almost doubles the time, cost and inconvenience to the business. Many contractors struggle to keep up with the license renewals for all staff and the company in addition to managing cash flow, tax and other legislative requirements. Obtaining and renewing each license requires undertaking training, meeting certain criteria, often obtaining insurance and extensive administrative time. This represents a significant hindrance to the growth and productivity of electrical contracting companies across Australia. As key participants in the construction sector, an industry set to grow by 8.3% over the next five years<sup>1</sup>, electrical contractors and in turn the economy, would benefit from a streamlined licensing regime.

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<sup>1</sup> [https://docs.employment.gov.au/system/files/doc/other/australianjobs2016\\_0.pdf](https://docs.employment.gov.au/system/files/doc/other/australianjobs2016_0.pdf)

## **Issue**

National Occupational Licensing for Electrical Occupations was scheduled to commence in early 2014 as a means to streamline occupational licensing requirements throughout Australia. However, on 3 December 2013 the Council of Australian Governments (COAG) announced it would no longer be pursuing National Occupational Licensing Scheme reform largely because industry was not in favour of the “lowest common denominator” approach being proposed.

As an alternative to national licensing, MEA proposes external equivalence arrangements, a form of automatic mutual recognition, for electrical worker occupations. This arrangement is in place in Queensland and under Schedule 1 of the *Electrical Safety Regulation 2002* external Australian and New Zealand licences are taken to be equivalent to particular Queensland electrical work licences. A person performing electrical work within the authority of one of these current external licences is taken to hold an electrical work licence and is not legislatively required to apply for the equivalent Queensland licence.

Under external equivalence arrangements, licensees only need to register with the state in which they reside, easing the financial and administrative burden of lodging applications in multiple jurisdictions. Such a scheme would offer easier mobility of labour for electrical licensees working across state lines, providing a significant boost to the capacity of electrical contractors to grow and expand their businesses and contribute to national productivity.

The scheme is distinct from the failed national licensing model as state governments would retain control of licensing standards in their own states by having the option not to recognise a licence if it is considered to be at a lesser level. State governments would also have the ability to enforce additional licensing criteria should they deem it appropriate.

The introduction of an external equivalence scheme was an Electrical Regulatory Authorities Council (ERAC) directive 20 years ago that has never been fully implemented.

## **Recommendation**

As a strategy to boost the productivity of the electrical industry, MEA recommends that external equivalence arrangements be adopted by other states throughout Australia and that the range of occupations currently covered be gradually expanded.

## **REFORM PROPOSAL TWO: SECURITY OF PAYMENT**

### **Background**

A problem commonly encountered by electrical subcontractors involves a head contractor holding retention monies until they are satisfied that the work on a project has been completed. The subcontractor is then put in the difficult position of being subject to the principal contractor’s opinion on the quality of the electrical work they have performed. In the meantime, the retention monies held are accumulating interest for the principal contractor while the electrical contractor is left unpaid for the work they have performed.

This has a particularly detrimental impact on subcontractors when a head contractor becomes insolvent, leaving subcontractors on a long list of unsecured creditors seeking payment. This can destroy the financial stability of subcontractors, particularly small businesses who rely on prompt payment and steady cash flow to keep their businesses afloat. This situation represents a significant threat to the survival and growth of small businesses working in the building and

construction industry. These businesses are the lifeblood of the Australian economy and any threat to their survival is a barrier to productivity.

### ***Issue***

In order to overcome this situation and prevent electrical contractors, and other subcontractors, being out of pocket for their work, MEA proposes the introduction of a system whereby retention monies go to Escrow pending completion of the relevant works. This would be similar to the process adopted by the various Residential Tenancies bodies across Australia in which the bond paid by a tenant at the start of a lease is refunded in full provided no damage or loss has been incurred by the owner. An industry or government trust style fund could be established for the building industry where these retention monies could be held pending project completion.

Introducing this system would undoubtedly involve establishment costs, however, it would also create a more equitable balance between the interests of principal contractors and the subcontractors engaged on a project who are lawfully entitled to payment for the work they have performed. As is the case with landlords provided with some security for loss, this system would also continue to protect the rights of consumers by ensuring work is performed to a certain standard in order for funds to be released.

The New South Wales Government has taken initial action towards addressing this issue by introducing a retention trust scheme for non-residential building projects worth over \$20 million. In NSW, the costs involved in administering the scheme are to be offset through lodgement fees for audit reports that will need to be prepared by head contractors. This may be an option other state and territory governments could consider to cover the costs of administering a retention trust scheme.

### ***Recommendation***

All states and territories to enact legislation facilitating a retention trust scheme for the building and construction industry.

## **REFORM PROPOSAL THREE: CHANGES TO THE APPRENTICESHIP SYSTEM**

### ***Background***

A strong apprenticeship system is critical to the continued growth of the building and construction industry. Declining commencement and completion rates for electrical apprentices signal an urgent need to re-think the current system.

### ***Issues***

#### ***External capstone testing***

On 27 February 2012, 20 year old trade assistant, Jason Garrels, was electrocuted whilst working on a Queensland building site when a temporary switchboard he had been carrying came into contact with live wires. This tragic event prompted concerns about the flaws in the assessment system for electrical apprentices, namely, Capstone Testing.

The Capstone Test model provides an external validation of skills acquisition in electrical apprenticeships because it is set by an independent body. However, the integrity of the

Capstone can be compromised if the test is conducted by the Registered Training Organisation (RTO) itself, as occurs in Queensland. A key issue is the variability of the Capstone Test processes, with RTOs able to conduct assessments at their own premises, and the test varying between each training organisation. The Queensland system provides the potential for substandard RTOs to streamline Capstone assessments in order to boost completion numbers for financial gain. Providers who adhere to the more stringent standards for Capstone assessment may face difficulties in attracting apprentices who are looking for an easier route to obtaining their qualification.

An external Capstone testing system is critical to the safety and productivity of the electrical industry. It provides assurance that all apprentices are held up to the same high standard regarding their technical skills and knowledge before they are permitted to perform electrical work for the public.

Under-skilled electrical workers fresh out of an apprenticeship pose a significant risk to the electrical safety of themselves and the general public. We therefore recommend that all states require external capstone testing for electrical apprentices.

#### *Upgrade Electrotechnology qualification*

MEA recommends that the qualification for an electrician be upgraded from the current Certificate III in Electrotechnology to, at a minimum, a Certificate IV or ideally the Diploma or even Advanced Diploma level.

As technology advances and the demand for energy efficient and digital technologies grows, the skills set expected of an electrician has broadened significantly, with consumers requiring more than just the traditional installation of power points and light fixtures. The qualification awarded to those who successfully complete training in these areas should reflect the level of skill and expertise they need to be able to show competencies in.

Further to this, every apprentice who completes their qualification should have been able to demonstrate competency in the full range of tasks associated with electrical work. All electricians need to understand every element of the work they undertake in order to perform quality work safely.

Upgrading the electrotechnology qualification would heighten the professionalism of the industry and in so doing would boost the productivity of this sector to the ultimate benefit of the Australian economy.

#### *Competency based progression*

MEA proposes competency based progression for electrical apprenticeships, as opposed to the traditional time based system, as a strategy to boost productivity.

Competency completion enables apprentices who can demonstrate achievement in all competencies to obtain their qualification before a nominated end date in their training contract. Completion is based on skills and work performance and recognition for the apprentice's achievements and contributions, not time served. This system would also allow those apprentices who have not yet achieved the necessary competencies within a certain period of time to continue with their apprenticeship training in order to bring them up to the required standard.

A competency based system boosts productivity by facilitating apprentices with more advanced skills becoming qualified tradespeople sooner, thereby addressing skills shortages and opening up the opportunity for new apprentices to enter the system as others become qualified. Equally, this system would provide further opportunity for apprentices who have not yet achieved competency by a training contract end date to engage in additional training in order to reach a licensed outcome. In this respect the system would ensure that every apprentice completes his/her qualification with all of the skills and knowledge required to perform the full scope of electrical work for the public with no compromise to electrical safety.

### *Front load training*

MEA would encourage government to invest additional resources into exploring alternate pathways for apprentices, such as front load training.

In other vocations, such as nursing, off-the-job training is provided to students before they undertake the practical component of their qualification. This is currently not the case for electrical apprenticeships, with on and off the job training intertwined throughout the course of the apprenticeship.

This can present difficulties for both employers and the apprentices. Employers must invest time and money in training inexperienced apprentices who can only be charged out to customers at apprentice rates. Apprentices also face the struggle of balancing their studies with the demands of a hands on full-time job.

Front load training on the other hand provides apprentices and employers with the option of undertaking a significant portion of the formal training component of the qualification at the beginning of an apprenticeship. Front load training would allow an apprentice to complete the Certificate II of his/her qualification before working with an employer or even up to the first two stages of the Certificate III. Being able to engage an apprentice with a higher skills set and who has been exposed to the challenges of the industry would certainly give more employers the confidence to take on an apprentice, with less risk of non-completion.

### *Government to engage industry and encourage innovation*

It is critical that government engage with industry when exploring any alternative pathways for apprenticeships. We recommend that government offer more funding programs, such as the Department of Education and Training's *Apprentice Training – alternative delivery pilots*, to facilitate industry being able to develop innovative programs to boost completion rates and encourage more employers to engage apprentices.

An example of a program proposed by MEA is the *Electrical Training Breakthrough Program* which is designed to address the many issues hindering electrical contractors employing a first year apprentice. The program aims to select students who have the inherent ability to successfully complete the full-time course and gain the theoretical and practical skills to exit an early second year apprentice level. This involves combining formal off-the-job training and practical training under the supervision of teaching staff at various RTOs to provide full-time students with a quality, well rounded and industry endorsed program.

### ***Recommendation***

Government to engage with industry to develop innovative strategies to reform the apprenticeship system in Australia and boost completion rates in order to improve the productivity of the construction industry and in turn the Australian economy as a whole.

### **Conclusion**

We urge the Productivity Commission to consider the above reform proposals as part of their 5 year productivity review.

Yours faithfully,

Malcolm Richards  
Chief Executive Officer

