CFMEU CONSTRUCTION

Productivity Commission

Building a skilled and adaptable workforce: Interim report

September 2025

Introduction

The Construction, Forestry and Maritime Employees Union (Construction and General Division) (the CFMEU) is the major union in the building and construction industry. The CFMEU has been a strong advocate for skills and training in the construction industry. The CFMEU actively engages with skills and training policy at the Commonwealth, state and territory level. We are a founding member of BuildSkills Australia. Across our state branches, the CFMEU runs training centres that provide free training courses for union members, to help build a highly skilled construction workforce.

The CFMEU welcomes the opportunity to contribute to the Productivity Commission's *Building a skilled and adaptable workforce* Inquiry interim report (the Report) and provide feedback based upon our extensive experience in the sector.

Overview

Over the next five years, Australian governments at the federal, state and territory level seek to build 1.2 million homes. Across Australia there are numerous major infrastructure projects in the pipeline, including the upcoming work for the Brisbane Olympic Games. To meet this demand, the construction industry needs to attract and train more workers and upskill and retain existing ones. Upskilling the existing workforce is essential to improving productivity, especially in regards to new technologies and construction methods that enhance productivity. To do this, skills and training must be a core priority of policy makers.

Whilst the CFMEU supports some of the recommendations within the Report, we strongly disagree with the Commission's current recommendations relating to "Fit-for-purpose occupational entry regulations". We disagree with the following recommendations, and will outline our reasoning below:

- Draft recommendation 3.1: Remove excessive occupational entry regulations that offer limited benefits
- Draft recommendation 3.2: Expand entry pathways and streamline qualification requirements for occupations
- Draft recommendation 3.3: Improve the regular reviews of occupational entry regulations
- Draft recommendation 3.4: Incentivise occupational entry regulation reform through National Competition Policy

Feedback on recommendations in the report

Occupational Licensing

The CFMEU notes that it is unclear what specific OERs in the construction industry the interim report refers to. OER regimes vary across different jurisdictions, but broadly licensing requirements stem from WHS regulations, building codes and fair-trading legislation. Licenses are also a requirement for insurance.

The CFMEU believes that the Productivity Commission has downplayed the benefits of occupational licensing and the significant risks that would be associated with rolling back OER in industries such as construction. The Report argues that:

> 'Some jobs... involve work that can cause harm if performed incorrectly. OERs are intended to protect consumers, workers, the public and the environment by ensuring that practitioners meet minimum standards of training, competence... However, OERs can make it harder for new workers to enter a profession and can create additional compliance costs. Higher costs and a more limited pool of workers can raise prices for consumers and stifle innovation.'[1]

Improving safety for workers and the general public, build quality from set training standards and competencies and continuous professional development provide a significant net good that is not even close to outweighed by the consequences of barriers to entry and compliance costs. The Productivity Commission's view of OERs seems to be in a vacuum, in which bad faith actors are not present, and workers and employers consistently do the correct thing from their own volition and without training. This does not reflect the real world.

In our view, any issues with the current OER regime can be solved through consistency rather than removing licensing requirements. The CFMEU has long called for a national harmonisation process, with extensive consultation with unions, industry and state and territory governments to produce best practice standards that apply nationally.

Occupational licensing and safety

The construction industry is dangerous, receiving the second highest number of worker fatalities in 2024.[2] Safety is arguably the most important benefit of occupational licensing. Licensing requirements ensure that standard safety information is understood across the industry. OER schemes ensure that license holders have undergone specific training courses on relevant safety procedures and risk management. This is an optimal learning system as it means WHS is understood within the broader regulatory framework and taught in conjunction with professional skills and competencies, so that WHS is embedded in all aspects of the construction industry, rather than as a standalone concept. The CFMEU strongly opposes any regulatory reform that would put construction workers at risk.

The report references the 2023 PC report that also discussed occupational licensing, particularly in relation to safety in the construction industry. This report argued:

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[1] Productivity Commission (2025) p. 53

[2] https://data.safeworkaustralia.gov.au/insights/key-whs-statistics-australia/latest-release

> *In many cases, risk assessments that have been driven by anecdote have either led to more stringent licensing conditions, or have prevented deregulation. For instance in New South Wales, some building trades such as painters, plasterers and decorators continue to be licensed despite insufficient evidence of significant risks to safety or financial detriment.*
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> *High risk ratings can also become the default position where high profile incidents of public safety failure amplify the downside risks. Once licensing of an occupation has been introduced to protect health and safety it can be difficult to reverse or relax these requirements, regardless of whether there is evidence that skills and qualifications had been the cause of poor safety outcomes, or that licensing is the most effective solution.*[3]

The above passage from the 2023 report fails to recognise the lengthy process that Safe Work Australia goes through to determine if work is high risk and should be regulated. The financial costs of obtaining a licence are negligible compared to the costs of injured workers and members of the public and the cost to the public health system, costs the PC seems oblivious to. Recommendation 3.3 of the interim report states:

> *These reviews should remove regulations deemed to be excessive and not proportional to risk. They should draw on joint expertise on industry and licensing, as well as principles for best practice regulation.*

This recommendation fails to include that the Safe Work regulators already do this. There is currently in progress a review of the high-risk work crane licenses which not only includes the state and Territory regulators but also representatives of industry and workers.[4]

The Report identifies painters and decorators as one such occupation that current OERs are too prohibitive and should be removed. As the union that represents these workers, the CFMEU strongly objects to this recommendation. The Report downplays the safety risks faced by painters and decorators in the construction industry. Falls from heights are the biggest cause of fatalities in the construction industry at 28.9%, whilst being hit by falling objects is the fifth largest, at 12.2%. SafeWork Australia's Beta Occupational Hazards Dataset that measures relative exposure of jobs to different types of hazards found that painting trade workers had an exposure score of 70% from utilising ladders, scaffolds or poles – the third highest for construction trade workers.[5] This score indicates that painters and exposed to this hazard multiple times per week.[6] As such, it is essential that painters and decorators understand the correct safety procedures when dealing with heights to a high standard. To complete a Certificate III in Painting and Decorating, apprentices must learn how to work safely from heights, apply WHS requirements,

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[3] Productivity Commission 2023, 5-year Productivity Inquiry: A more productive labour market, Vol. 7, Inquiry Report no. 100, P. 69

[4] See https://consult.swa.gov.au/crane-licensing

[5] https://data.safeworkaustralia.gov.au/interactive-data/dashboards-topic/explore-data-hazard

[6] https://data.safeworkaustralia.gov.au/sites/default/files/2023-11/Insights%20BOHD%20report_November2023.pdf

policies and procedures in the construction industry, erect and dismantle restricted height scaffolding and operate elevated work platforms up to 11m – all essential and commonsense competencies that should be achieved to conduct this work.[7] Other major risks for painters and decorators are exposure to crystalline silica and hazardous chemicals, both potentially present in the painting material used on site.

The Report suggests that codes of practice such as the model guidelines on managing the risk of falls or hazardous chemicals, are sufficient regulatory safeguards to manage the risks to painters and decorators, and that OERs are therefore superfluous.[8] However, OERs require license holders to complete a course and therefore be taught and learn how to work safely and how to abide by model codes of practice correctly. It is naive to assume that merely requiring WHS codes of practice to be followed, but not requiring them to be taught and correctly understood, is sufficient to mitigate the risk of harm to painters and decorators in the construction industry. Safety regulations are effective when PCBUs and workers have the knowledge to engage with them, to problem solve, and accurately assess risk, and this skill comes through training.

Occupational licensing and build quality

Build quality is a major issue for consumers that must be addressed by the construction industry. Fundamentally, consumers expect that building work is conducted by licensed professionals who have received adequate training to do the work they have been hired to do. Construction work is skilled work, and quality construction work, conducted safely is done by those who have received the requisite training. The Reserve Bank's research paper on occupational licensing, referenced in the interim report, stated 'while occupational regulation may aim to minimise the risks of consumer detriment, particularly building defects, it may also restrict the adaptability of the workforce.'[9] How does receiving less training in the construction industry make a worker more adaptable? Clearly, adaptable actually means that a worker is more likely to accept insecure work such as labour hire, with significantly less opportunity to upskill and gain industry qualifications. This is a recommendation for more insecure work and poorer build quality in the construction industry.

In the Productivity Commission's *5-year Productivity Inquiry: A more productive labour market Inquiry report – volume 7* (2023), the PC queried 'the extent to which the introduction of mandatory entry requirements would lift standards beyond that already provided by the market through incentives for businesses to hire and train qualified individuals.'[10] In our view this is a redundant argument – OERs require businesses to hire

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[7] https://cit.edu.au/courses/trades/painting-decorating/C3-TS29
[8] https://www.safeworkaustralia.gov.au/sites/default/files/2022-10/Model%20Code%20of%20Practice%20-%20Managing%20the%20Risk%20of%20Falls%20at%20Workplaces%2021102022_0.pdf
[9] Bowman, J, Hambur, J and Markovski, N (2024), *Examining the macroeconomic costs of occupational entry regulations*, Reserve Bank of Australia.
[10] www.pc.gov.au/inquiries/completed/productivity/report/productivity-volume7-labour-market.pdf p.73

and train qualified individuals – something that should be a minimum standard for a reputable business, not a bonus that should be given additional incentives.

Occupational licensing and developing the skills base of the labour force in the construction industry

To meet demand and improve productivity in the construction industry we need structural reform to rebuild the construction skills base in Australia. To do this, we need policy reforms that encourage workers to upskill and gain more qualifications in the industry.

The shortage of skilled construction workers is the result of decades of decisions by policy makers to undermine the skills of construction workers to drive down wages, lack of investment in skills and training and the structural changes to the industry that saw the growth of small firms and self-employment that lack the resources and incentives to invest in apprentices and trainees.[11] The VET sector has been hollowed out by a lack of investment over a long period of time. This has reduced the relevance of the VET sector for upskilling workers throughout their career.

The construction industry faces a skills shortage, not a labour shortage. Productivity, safety and build quality will only go backwards if government seeks to further undermine the skills base by pushing unqualified workers into the construction industry. This is the definition of short-term thinking. A comprehensive report on productivity in the global construction industry by McKinsey & Company found that 'access to informal labour may weaken incentives to invest in workers and their skills' and 'the productivity growth of an organization is highly dependent on whether it has a stable, well-trained workforce capable of mastering and implementing best practices. Policy makers can support the development of skills.'[12]

The interim report argues that 'most regulated, trade-based occupations require the completion of an apprenticeship, creating a bottleneck in the supply of qualified workers.'[13] This is a nonsensical point – where does the productivity commission think the supply of qualified workers comes from other than traineeships and apprenticeships? This report repeatedly notes the importance of a skilled workforce on the one hand, yet consistently advocates for the undermining of the skills base in the construction industry, to drive down wages for workers. The skills shortage in the construction industry is the result of policy regimes that followed this exact logic. Despite extensive evidence that

[11] McGrath-Champ, S., Rosewarne, S., & Rittau, Y. (2010). Education, skill and unions in the Australian construction industry. *Labour & Industry: a journal of the social and economic relations of work*, *21*(1), 438-462.

[12] Barbosa, F., Woetzel, L., Mischke, J., Ribeirinho, M. J., Sridhar, M., Parsons, M., Bertram, N., & Brown, S. (2017). *Reinventing construction through a productivity revolution* (Report). McKinsey Global Institute. https://www.mckinsey.com/capabilities/operations/our-insights/reinventing-construction-through-a-productivity-revolutionP.46 & 71

[13] PC (2025) p.66

shows upskilling workers is key to improving productivity, the PC has made numerous recommendations designed to deskill the construction industry.

The key issue facing the construction industry is the rate of completions of apprenticeships and traineeships – and attempts to undermine training requirements will only exacerbate this problem further. Rather than reducing OERs, government should be introducing a trade licensing scheme (that recognises prior learning) to the construction industry, to encourage completion rates and increase the skills base of the industry. Additionally, financial barriers and the lack of a living wage for apprentices and trainees is the major factor reducing completion rates in the industry. The answer is clear: completion rates will be improved if industry and government provide support to apprentices and trainees, not by reducing the requirements for training in the first place.

Recommendation 3.2 in the interim report states:

> Australian, state and territory governments should also address skills shortages in trades occupations by investigating opportunities for alternative approaches to acquiring competencies in trade-based occupations and expanding non-apprentice pathways.

This is a matter for the relevant jobs and skills councils, which is BuildSkills Australia for the building trades. There is currently the opportunity for workers to be RPL'd (Recognition of Prior Learning) to accelerate them through apprenticeships however it is costly and other measures such as a combination of RPL and performance tests against the trade requirements. The CFMEU supports the Commonweath Government's commitment to establish the Advanced Entry Trades Training program to fast track the qualifications of 6,000 experienced but unqualified workers in residential housing and civil construction as an example of this. The program will use recognition of prior learning to assess participant's existing skills, followed by individualised gap training delivered by TAFEs and other high-quality registered training organisations.

Occupational licensing and living standards

The PC claims that OERs lower living standards but provides no evidence in how that conclusion is reached. As discussed above, OERs do not produce skills shortages, they limit unskilled workers performing skilled work and encourage workers to complete qualifications and upskill. The barriers the interim report identifies as lowering living standards (reduced business entry and exit, slower flows of labour from low- to high-productivity firms, and skill shortages) relate to increased worker power in the labour market relative to business; something that the PC seeks to reduce in favour of business. Given that most Australians are employed by a business or government entity rather than being an employer is unclear how decreasing the labour power of workers would increase living standards. Research from the US has shown that occupational licensing is correlated with higher wages for those workers, and thus an increase in living standards.[14] The productivity commission views employer profits as synonymous with increased living standards, despite the extensive evidence that increased profits do not trickle-down to provide broader economic benefits and social good – in fact it is the opposite.

In addition, the benefits to business provided by OERs are not addressed: that the work is conducted correctly and safely, as well as continuing enhancement of industry knowledge that results in reduced compliance, rectification and regulatory costs.

The issues with the proposed alternatives to OERs in the report

The CFMEU does not support the majority of the proposed alternatives as they would result in negative outcomes for workers and consumers. The CFMEU does support the task-based licensing which already happens with high risk licensed work for scaffolders, riggers, dogmen, crane operators and hopefully will soon apply to operators of telehandlers and piling rigs. The CFMEU also supports the stronger regulation of occupational outputs or outcomes, but does not think these should replace OERs, but rather work in conjunction with them.

The other proposed alternatives place all the risk on the consumer, whilst weakening minimum standards, who ultimately will pay the cost when things go wrong. This places the burden on consumers who have significantly less knowledge of construction than a business in the industry to act as a regulator – a complete mismatch on who the regulatory onus should fall upon. Models such as stronger market competition and voluntary industry measures would result in consumers facing prohibitive legal costs (and extensive time and resources), passing on costs from business to consumers, a clear misallocation of risk.

CFMEU alternative policy recommendations

Recommendation: Implementation of a Trade Licensing Scheme

Trade licensing is a mixed patchwork across Australian jurisdictions. Historically, it has been the goal of conservative policy makers to deskill the construction workforce and label it as “unskilled labour” to drive down wages and conditions. To address this, a trade licensing system, that recognises existing skills, must be implemented to encourage training and skills growth. Completion rates for traineeships and apprenticeships remain low at around 50% in the construction industry, in part because of the lack of trade licensing for the construction industry. Occupations such as carpenters are not licensed, anyone can call themselves a carpenter without finishing an apprenticeship. Workers are not incentivised to complete their training if they can earn better wages outside of the apprentice and trainee system. Trade licencing would also encourage upskilling across

[14] Haupt, A. (2023). Who Profits from Occupational Licensing? *American Sociological Review*, *88*(6), 1104-1130. https://doi.org/10.1177/00031224231207395 (Original work published 2023)

the career span, so that workers can continue to gain qualifications and new skills that are recognised.

Recommendation: End Apprentice Poverty Wages

Prospective construction trade workers are discouraged from gaining apprenticeships due to the financial burden of doing so – would you accept working for less than minimum wage for four years to undertake an apprenticeship or enter the industry immediately with less qualifications but with a living wage? Apprentices and trainees must earn a living wage whilst completing their qualifications.

Recommendation: Introduce a skills levy to encourage investment in training

The implementation of a national skills levy would encourage employers to upskill their workforce, and provide additional finding for the sector. Firms would have the option to either invest in accredited training for their workforce of pay a levy that would find opportunities in the vocational sector.

CFMEU