



# REIA

REAL ESTATE INSTITUTE  
OF AUSTRALIA

## REIA RESPONSE TO THE DEPARTMENT OF INDUSTRY DISCUSSION PAPER ON THE ESTABLISHMENT OF THE INDUSTRY SKILLS FUND

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## **REIA RESPONSE TO THE DEPARTMENT OF INDUSTRY DISCUSSION PAPER ON THE ESTABLISHMENT OF THE INDUSTRY SKILLS FUND**

The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75 per cent of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were 64,699 business brokers, property managers, principals, real estate agents and representatives.

REIA's members are committed to providing high quality training for the nation's real estate professionals and to improving the level of service to consumers through education.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99 per cent of real estate agencies are small businesses and 11 per cent of all small businesses in Australia are involved in real estate. Only 0.6 per cent of businesses employ 50 or more persons.

REIA is committed to providing and assisting research and well-informed advice to the Federal Government, Opposition, professional members of the real estate sector, media and the public on a range of issues affecting the property market.

The REIA welcomes the opportunity to respond to the Department of Industry Discussion Paper (Paper) on the Establishment of the Industry Skills Fund (ISF).

### **Introduction**

The overriding aim of the ISF is to have a highly skilled workforce that can adapt to change – be that new opportunities, structural change, technological change and new business opportunities. Furthermore, the training funded under the ISF is to be industry led.

Whilst REIA supports the overall aim, it feels that unless a number of areas are addressed, the proposal as it stands will provide a constraint on economic growth and will hinder the Government achieving its aim of boosting Australia's productivity.

REIA's submission outlines a number of areas which if addressed would improve the outcome of the current proposals. Whilst REIA's comments relate to the training of real estate professions they would be applicable to other sectors as well.

## **Discussion**

### *Eligibility*

The Paper has a focus on ensuring training is available for new/expanding/export industries and identifies a number of industries with new market opportunities.

Whilst REIA concurs that any constraints on these industries through inadequate training should be addressed, it considers the focus of these industries alone will leave skills shortages in industries other than those targeted in the Paper. A consequence of this will be that whilst facilitating growth in the new/expanding industries, the proposal will constrain growth in the more mature and domestic focussed industries. The upshot being lower economic growth than would be the case if all industries had access to the ISF if there was a demonstrated need. To exclude industries with a domestic focus in favour of export-orientated industries would not, in REIA's view be in the best interests of the economy.

It is recognised by the Commonwealth Government that the Australian economy is at an important juncture. The mining investment boom is waning. There has been a protracted period of business cost cutting rather than investment which has translated into a weaker labour market. Alongside these cyclical issues are major structural dynamics at play, largely stemming from Australia's ageing population.

It is against this background that the construction and property services industry is expected to make a major contribution to the continued growth of the Australian economy. Without adequate training for the sector, including that of real estate professionals, not only will growth be constrained through skills shortages but inflationary pressures could also be at risk. If the construction and property services industry is to be key driver of economic recovery, the workforce development needs of these industries are best addressed through the ISF.

It is REIA's view that the eligibility should be on the basis of skills shortages both nationally and at a regional level regardless of the industry.

The real estate profession is one, amongst others, where the demand for adequately trained employees fluctuates greatly with the cyclical nature of the property market and the construction activity both at a national level and at a regional level. The differences in the property market in Sydney and Hobart over the last 18 months, for example, provides a stark contrast in the demand for training at any one time.

At the same time there are a number of structural issues which will influence demand for training regardless of where on the economic cycle an industry is. These include the impact of an ageing population, increased participation in the workforce by women returning to the workforce, inadequate language, literacy and numeracy skills and labour immobility.

A characteristic of real estate trainees is that a high proportion are female. According to ABS statistics, 55% of all employees in the real estate profession are females. There is also evidence that women were spending more than their male counterparts on training. This is not surprising as it is typically women that are returning to the workforce after having children and are upgrading their skills and knowledge.

***REIA recommends that eligibility for funding under the Industry Skills Fund be on the basis of skills shortages rather than industry based.***

The Construction and Property Services Skills Council's (CPSISC) 2014 -15 Environmental Scan provides a review of skills gaps and workforce development priorities for the construction and property services sectors. In it they identify auctioneers, property managers, real estate agents and real estate sales persons as being "skills in demand" and that as a consequence funding should be available for training in these occupations.

Even though CPSISC has identified auctioneers, property managers, real estate agents and real estate sales persons as being "Skills in Demand" these do not appear on the Department of Industry's National Skills Need List (NSNL). There are a number of reasons that go a long way to explaining this apparent paradox.

Real estate workforce recruitment practices have generally sat outside of the Federal Government's critical skill shortage frames of reference. Much like the construction industry, many real estate operatives work on a contractual basis rather than being employees and it is being 'employed' that is the criteria for determining skill shortages.

As mentioned above, real estate market activity fluctuates greatly and with it so does employment. Once operatives leave the industry in a downturn the experience is that they seldom return. Hence whilst the total numbers employed in the profession may not increase as dramatically over time as those in mining related occupations for example, the "churn" creates an almost ongoing need for new trainees. It is a feature of the sector that continuous recruitment and training is required to meet the "skill deficiency".

A further factor in skills shortages is whether the available skills match the required skills. Outside the occupations that require a licence there are positions within a real estate office that can be met by universal skills in human resources, para-legal and accounting. Whilst these generic practitioner roles can be recruited by engaging applicants with mainstream skills, it still leaves a shortage. This situation does not exist in most of the occupations on the NSNL. This is akin to employment data not identifying the extent of underemployment in the economy.

***REIA recommends that the Department of Industry collaborates with industry sectors in identifying skills shortages.***

## *Funding Arrangements*

REIA supports the concept of a sliding scale for co-contribution rates with small businesses getting a proportionally greater Government contribution than large businesses and welcomes the recognition of the micro business as one that needs greater assistance with its training needs.

Whilst there is merit in the notion of a sliding scale based on size, it may in a practical sense lead to some administrative difficulties for Government and the business entity concerned.

As indicated above, businesses in the real estate sector are subject to considerable volatility between consecutive years and even within a single year. It is not inconceivable for those businesses on the “cusp” points between micro and small and between small and medium to change categorisation during the training funding period.

It would be administratively easier if only two categories of funding applied, for example: one for businesses under 100 employees; and one for businesses over 100 employees; or the comparable numbers in turnover.

Whilst the “cusp” point issue still arises it is lessened considerably.

***REIA recommends that funding arrangements be on the basis of two categories of business size.***

The suggested approach of labour productivity as a basis of business categorisation will prove to be a difficult measure for administrative purposes for both Government and the funded business and should in REIA’s view not be considered.

REIA believes that workforce size is the most appropriate measure to use as the basis of business categorisation.

***REIA recommends that business categorisation be on the basis of workforce size.***

## **Recommendations**

REIA makes the following recommendations

- ***That eligibility for funding under the Industry Skills Fund be on the basis of skills shortages rather than industry based***
- ***That the Department of Industry collaborates with industry sectors in identifying skills shortages***
- ***That funding arrangements be on the basis of two categories of business size***
- ***That business categorisation be on the basis of workforce size.***