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EXCESSIVE CONSTRUCTION EBA WAGE RISES HINDER VICTORIAN JOBS AND INFRASTRUCTURE

“Research released by Master Builders Association of Victoria today, shows that construction industry EBA wages have been growing at unsustainably high rates and costing Victorians jobs and much needed social infrastructure like schools, hospitals, roads and parks,” said Master Builders Association of Victoria CEO, Mr Radley de Silva.

Deloitte Access Economics, in its report *Victorian construction – labour costs and productivity*, examines construction EBA wage growth and demonstrates the detrimental effect of the unsustainable and excessive increases in construction EBA wages.

“Today’s report shows that industry EBA wages have outstripped the construction industry wage price index by more than 27% over the last 14 years. This means that those wages have grown far beyond what can be justified by economic or productivity growth,” said Mr de Silva.

“Union EBA carpenters and entry-level laborers are now paid far more than nurses, defence force members, fire fighters, police or teachers.

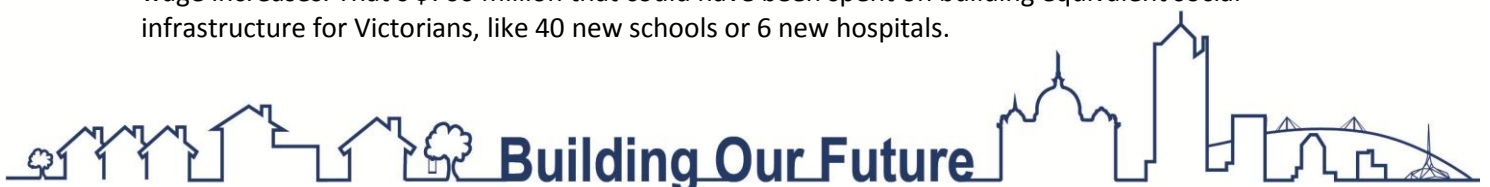
“Entry-level industry EBA labourers get paid \$130,000 a year compared to \$55,000 a year for other miscellaneous labourers. EBA Carpenters earn \$141,000 a year compared to the average wage of \$68,000 in Victoria.

“And with rigidities built into the EBA, such as fixed rostered days off timetable, there are further limits on the capacity for wage increases. EBA real unit labor costs have grown by 2.4% per annum more than can be justified by productivity and price increases.

“Victorians should be collectively concerned about these excessive costs being faced in the construction industry. This isn’t just a windfall gain being received by union EBA employees, it is a cost borne by the community as a whole.

“Today’s report shows that more than 1500 jobs have been lost over the last 14 years due to funds being diverted into unnecessary and unjustified union EBA wage increases. Those are much needed jobs in the Victorian economy which could have benefitted thousands of Victorian families.

“The community also loses as a result of excessive construction EBA wage increases. It is not just employers that bear the burden of these excessive wage increases, but the government and therefore taxpayers also foot the bill. If these wage costs continue over the next four years, the Victorian Government will have to spend more than \$700 million just to meet the demands of those wage increases. That’s \$700 million that could have been spent on building equivalent social infrastructure for Victorians, like 40 new schools or 6 new hospitals.



“With a rapidly growing population in Victoria, set to reach 10 million by 2051, there is a dire need to build social infrastructure like roads, rail, schools, hospitals and parks.

“In the lead up to the next round of construction EBA wage negotiations, it is imperative that all stakeholders including employers, employees and unions – consider the urgency of the economic circumstances in the State and the needs of the community. We desperately need more jobs and social infrastructure in Victoria, and construction EBA wages should not be allowed to hold these back by unnecessarily increasing costs in the industry.

“There are many construction industry employers who simply can’t afford to wear the costs of continuing unsustainable EBA wage increases. The Deloitte report highlights that the construction industry has one of the lowest profit margins and that profit margins have been falling in recent years. Around 30% of all firms in the building and construction sector made a loss in 2012-13. With return on assets lower than or equal to risk free bank returns – if EBA wages continue to rise excessively, construction companies may be better off putting their money in the bank.

“It’s a collective responsibility. Employers, employees and unions have a responsibility to ensure that Victoria’s building and construction industry remains an attractive place to work, do business and invest. This can only be achieved if we are able to negotiate the best possible EBA outcome that ensures the industry remains strong and viable.

“Victorians should no longer tolerate these excessive wage increases, which are costing the Victorian community much needed jobs as well as social infrastructure.

“It is time to take the opportunity of the upcoming round of EBA negotiations, to act responsibly for the future of Victoria and to ensure sustainable costs in the construction industry can be achieved,” Mr de Silva said.

Master Builders has just launched a new industrial relations – focused website, ir.mbav.com.au, to keep members informed about critical information pertaining to the upcoming negotiations. The full Deloitte Access Economics report can be found at the website.

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