

The ABCC and the Construction Industry Summary of Econtech Presentation

A study by Econtech has found that construction industry productivity has improved significantly due to the existence of the Office of the Australian Building and Construction Commissioner (ABCC) and related industrial relations reforms.

Historically, the costs of construction tasks in the commercial sector have been consistently higher than in domestic construction. This result was first discussed in a 2003 study by Econtech for the Department of Employment and Workplace Relations. The study used data from the highly respected *Rawlinsons Australian Construction Handbook* to compare the costs for commercial construction tasks with the costs of the same tasks in domestic construction. Importantly, this comparison was based on the same tasks in the same states in the same years. The study found a significant cost gap existed between the two sectors, and this gap was largely due to more restrictive work practices in the commercial sector.

Interestingly, this cost gap has now almost vanished. This is shown in Econtech's 2007 report for the ABCC, which contains an update of its 2003 analysis. This update shows that, after averaging 10.7 per cent in the 10 years to 2002, the cost gap has recently closed dramatically to only 1.7 per cent in early 2007. The cost gap closing has coincided with the operation of the ABCC and its predecessor, the Taskforce.

The cost gap has closed because of improved productivity in the construction industry. Econtech's (2007) study shows that there has been a 17.6 per cent lift in productivity in commercial building and a 9.4 per cent gain in labour productivity for the construction industry as a whole. These gains are due to ABCC's enforcement action around industrial relations laws.

These Econtech estimates have passed a number of reality checks. First, case studies support the findings that the existence of the ABCC and supporting regulatory framework has led to significant improvements in labour productivity. Second, actual construction industry labour productivity (as measured by the ABS) has outperformed predictions based on historical performance by 9.5 per cent, similar to Econtech's identified labour productivity impact of 9.4 per cent.

So what does this mean for the Australian economy? While there is no doubt that the overall costs of construction have increased significantly over the past couple of years, Econtech's study shows that these costs would have been even higher without the ABCC. Further, consumer prices are lower (by 1.2 per cent) and Australian GDP is higher (by 1.5 per cent) than they would have been if the ABCC had not existed.