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Competition and Consumer Division  
The Treasury  
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### **Review of Australia's of Mutual Recognition Schemes for Workers**

The Insurance Council of Australia (Insurance Council) thanks the National Competition Council for the opportunity to provide a submission on the review of the Mutual Recognition Scheme for Workers.

The Insurance Council is the representative body of the general insurance industry and represents approximately 85-90% of private sector general insurers. The general insurance industry plays a critical role in safeguarding the financial security of Australians by protecting against unexpected losses.

#### **Supply Chain Pressures and Fuel Security**

The review of Australia's Mutual Recognition Scheme for Workers is timely given looming supply chain pressures and escalating fuel insecurity being experienced across global economies, including in the Australian market, due to rising instability in the Middle East.

The residential construction and repair industry, which the insurance sector is a critical component of, will increasingly face rising cost pressures in the short to medium term as the Middle East crisis continues to unfold. For example, since 2022, almost 400,000 homes have been repaired or rebuilt by insurers. Similar challenges are expected to be experienced in motor claims, as parts and supplies are impacted by delays driven by blocked or restricted supply chains. In 2024, insurers dealt with \$14.1 billion in motor-related claims.

These external factors can directly affect the cost of materials and labour to repair homes and vehicles, which in turn can affect the cost of insurance for the Australian consumer. With economic and geopolitical volatility set to impact the cost of a range of goods and services for Australians, it is imperative that all policy levers are geared towards keeping supply chains moving and minimising the costs for consumers during this uncertain period.

The Insurance Council welcomes the Government's appointment of a Fuel Supply Taskforce Coordinator to drive greater coordination between the Commonwealth and the States and Territories on fuel security and supply chain resilience, and we note the Government's commitment to announce more measures in the future to prepare the nation for supply chain challenges. Central to these discussions should be how Government can prioritise easing supply chain pressures that are impacting on Australia's construction and motor repair supply chains. Insurers stand ready to contribute their risk intelligence, view of supply chain challenges and support government with this endeavour.

As the NCC will be aware, these challenges were experienced by industry most acutely during the height of the COVID-19 pandemic, when the seamless movement of people was threatened due to border closures, which led to delays and increased consumer costs. Price surges and supply chain disruptions had a major impact on the building industry, particularly those operating under fixed-contract price arrangements.

The construction and repair industry, which services the insurance sector, is already experiencing significant external cost pressures. It is estimated that the cost of a new house is 2.3 per cent higher than 12 months ago, and approximately 47 per cent more expensive than it was just before the pandemic.<sup>1</sup>

ICA notes that while there have been a number of improvements in recent years following the pandemic to facilitate the smooth transfer of workers across state and territory boundaries, we are still not operating under a truly national system, as not all states participate equally. For example, Queensland is not currently participating in the Automatic Mutual Recognition Scheme. The Insurance Council encourages their involvement in the Scheme. Certain occupations – especially construction trades including carpenters, plumbers and electricians – continue to experience delays when attempting to work across state borders.

In the current political climate, this inefficiency needs to be addressed as a matter of priority to ensure supply chains move as smoothly as possible despite these external shock factors. State based licensing, exemptions and inconsistent application need urgent attention to minimise costs to industry, which is already experiencing the effects of supply chain shortage and fuel insecurity.

Ongoing inconsistencies create a more complex and uncertain operating environment for the deployment of interstate trades and risks undermining benefits of mutual recognition arrangements or national licensing schemes if not adequately addressed.

## **Occupational Licensing**

In response to the inquiry's consideration of factors influencing occupational licensing, the Insurance Council makes the following observations.

- Insurance Council members recognise the importance of prudent regulation, including appropriate Operator Eligibility Licence (OEL) for high-risk trades. We support, therefore, maintaining OEL requirements in building and construction sectors, such as plumbing, electrical, and structural building work, where poor workmanship poses genuine safety risks to workers and the public, and incidents of quality issues are well documented and pervasive.
- There is scope, however, for greater uniformity in OEL across jurisdictions to improve labour mobility. Following major natural disasters, insurers regularly mobilise surge workforces from interstate and varying rules delay the mobilisation of tradespeople across jurisdictions, depriving communities of essential skilled workers when they're most needed for recovery. We welcome state governments' efforts to introduce automatic recognition for trades and the Federal government's progress towards national licensing schemes for occupations such as electricians. However, ongoing variations in licensing conditions within existing OEL requirements will need to be addressed in order to maximise the benefits of these initiatives.
- Case Example: Variability in Mandatory Insurance Requirements for Electricians

One example of these variations is in the level of mandatory insurance electricians must hold under trade licensing conditions:

- In NSW, there does not appear to be any requirement for holding insurance as part of electrician licensing.
- In Victoria electricians are required to hold public liability insurance with a minimum cover of \$5m.
- In Queensland, electricians are required to hold public liability insurance with a minimum of \$5m, plus an additional mandatory consumer protection insurance cover of at least \$50,000.

## **Responding to Extreme Weather Impacts**

Running in parallel with rising political instability in the Middle East, is the reality of more frequent, severe and costly extreme weather events driven by climate change including bushfires, cyclones and floods. As these event events increase in scale and severity across Australia, it has never been more important to ensure we have a sufficiently skilled workforce who can be deployed in the aftermath of disasters.

Against this backdrop, the insurance industry requires a flexible and efficient deployment of workers to undertake necessary repairs and help people get back into their homes quickly to minimise the economic and social costs of dislocation.

In reality, the insurance sector, like many others in the economy, often experiences skills and labour shortages in construction and trades which impacts on industry's ability to respond efficiently to disasters. Shortages in trades are felt most acutely during repair and rebuilding programs following extreme weather events and are often most significant in regional areas where availability is often thinner. These workforce capacity issues can, in turn, lead to longer wait times for customers and also impact on cost of claims and insurance affordability. This was experienced in the aftermath of the major East Coast floods in Australia in 2022, when shortages in builders, carpenters, electricians and plumbers delayed repairs, impacted on temporary accommodation costs, and had a major impact on insurance close our rates.

Enhancing Australia's 'surge capacity' should therefore be a priority for government so key sectors of the economy can better meet increased consumer demand in the aftermath of extreme weather events. Maintaining flexibility is critical to achieving improved efficiency and minimising costs for consumers. The Insurance Council therefore supports the Automatic Mutual Recognition of qualifications to ensure the rapid onboarding of interstate and trans-Tasman surge workers when disaster affected homeowners are most in need. The Insurance Council also supports increased harmonisation and recognition of interstate licences to facilitate the efficient movement of construction workers between jurisdictions to close emerging skills gaps.

The Insurance Council is proactively responding to these challenges in a number of ways. This includes, for example, working to connect skilled tradespeople from across the country with insurers and their builders responding to impacted customers. This has included, most recently, industry's approach to attract more electricians, builders, plasterers and roofers from interstate and New Zealand in the immediate aftermath of ex-Tropical Cyclone Alfred.

The Insurance Council would welcome greater government action in this area to help achieve a more holistic approach to this challenge. By streamlining workforce movements, the sector will be better placed to respond more quickly to surges in demand, which has clear productivity benefits and will help contribute to broader economic resilience.

## **National Housing Accord**

The need for sufficient human capacity in the trades sector is more acute in the context of meeting the Commonwealth's housing targets.

The 1.2 million homes target under Australia's National Housing Accord is having a profound impact on construction skills, demand and workforce dynamics. The significant increase in labour demand is exposing and amplifying an already severe skills shortage, and forcing structural changes in how the industry recruits, trains and delivers projects.

The Insurance Council acknowledges the need for additional housing to meet consumer demand but is concerned at the flow-on effects housing targets will have on the insurance trade and repair sector, given the additional resources that will increasingly be required to meet the targets. All housing targets should, as a matter of best practice, be provided to local governments after a thorough examination of the area's capacity to accommodate new dwellings is undertaken to ensure houses are not being exposed to unacceptable levels of risk.

The Government's target is not just increasing demand, it is stretching every part of the construction labour pipeline simultaneously, with demand surging in the key areas of carpenters, electricians, plumbers and bricklayers. This has a flow-on effect in terms of costs, which impacts the insurance sector like all others who rely on a large, qualified workforce.

Against this backdrop of increased competition for skills, it is essential that Government policy is geared towards ensuring the smooth and efficient movement of workers to support more efficient repair and recovery operations.

### **Resilience Infrastructure**

Sufficient resource capacity is also required to deliver on a range of infrastructure projects that are needed to reduce our flood risk.

Around 1.4 million properties are at risk of flooding, and it is estimated that half of these properties fall short of the flood resilience measures of modern planning and building standards.

The Insurance Council is therefore calling for a major resilience infrastructure program, focussed on the construction of levees, dams and flood ways, to reduce risk in our high-risk river catchments.

Specifically, we are calling for a Flood Defence Fund, at a cost of \$30.15 billion over ten years, shared by the Federal, Queensland, New South Wales and Victorian Governments, to:

- Deliver new critical flood defence infrastructure (\$15 billion)
- Strengthen properties in harm's way (\$5 billion)
- Fund managed relocation (buy-backs) (\$10 billion)
- Future-proof existing flood mitigation infrastructure (\$150 million)

This can only be achieved, however, with a skilled and mobile construction workforce who can move easily between projects and regions, especially with our dispersed flood infrastructure needs in rural and regional Australia, and across uneven infrastructure pipelines.

### **Conclusion**

The Insurance Council thanks the NCC for its invitation to provide a submission for the review. Please forward any enquiries regarding this submission to Duncan Sheppard, Senior Advisor, Resilience, Insurance Council of Australia, [dsheppard@insurancecouncil.com.au](mailto:dsheppard@insurancecouncil.com.au)

Yours sincerely



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<sup>1</sup> <https://masterbuilders.com.au/higher-building-material-costs-fuel-housing-inflation/>