

Overview of demand for trades skills: South Australia – December 2008

South Australian Economy

South Australia's Gross State Product (GSP) grew by 3.8 per cent in 2007-08, significantly above the annualised rate of growth recorded in 2006-07 (0.6 per cent). The improved result in 2007-08 was largely due to a rise in farm sector output, with a particularly strong recovery in broad acre crop production compared to the previous year. More recently, Australian Bureau of Statistics data show that South Australian State Final Demand (SFD) expanded by 1.0 per cent in the September quarter 2008, and by 4.1 per cent through the year. In annualised terms, SFD grew at its fastest rate since the March quarter 2005. At the sectoral level, overall trends remained relatively positive in the second half of 2008, despite an anticipated slowdown in economic activity due to the global financial crisis. Construction work done in the four quarters to June grew by 6.7%, while anecdotal evidence suggests that building activity remained robust in the period since the most recent ABS data. Forward indicators of demand – building applications approved by local councils – grew by 2.4 per cent through the year to October, well above the trend for Australia during the same period (-14.3 per cent). Business investment levels remained robust up to the September quarter 2008, with total capital expenditure on new buildings and equipment in SA rising by 10.3 per cent – the highest annualised rate of growth since the March quarter 2006. Improvements in the labour market and higher population growth rates continued to support solid levels of household consumption, with expenditure on retail trade growing by over 9 per cent in October 2008, compared to a year earlier. However, in month-on-month terms, growth in retail spending has slowed since July, suggesting some consolidation in household balance sheets is now occurring. Activity in the state's manufacturing sector remained subdued in overall terms, notwithstanding continuing resilience in sectors servicing the mining and defence industries. However, the Australian Industry Group's Performance of Manufacturing Index (PMI) showed a strong decline in manufacturing activity across all states and territories in November. Moreover, SA continued to experience large scale retrenchments amongst manufacturing firms in 2008, especially in respect of motor vehicles and parts manufacturing. Nonetheless, the state's automotive sector increased exports of locally built vehicles during 2008, which, along with a significant contribution from metals and metal manufactures, boosted export earnings from SA commodities to a record \$10.6 billion in the year to October. Agriculture exports also made a solid contribution to growth following last year's improved winter crop. SA continued to attract increasing numbers of overseas students which further enhanced exports of education services.

Labour Market Developments

In trend terms, South Australia recorded its highest employment level on record in November 2008, following twenty consecutive months of growth. Employment grew by 1.9 per cent through the year to November, which was higher than the 1.6 per cent growth rate achieved by Australia as a whole over the same period. However, the rate of employment growth in South Australia has slowed in the past six months, down from an annualised rate of over 3 per cent in May. At the same time, labour force participation has been steadily rising, and was 63.7 per cent in November – the highest participation rate ever recorded in SA. The combination of slowing employment growth and increasing numbers of jobseekers has pushed-up unemployment to its highest level in more than four years. As a consequence, South Australia's unemployment rate increased to 5.4 per cent in November, 0.6 percentage points higher than the corresponding month a year earlier.

ABS Labour Force Survey data (averaged over four quarters) show that South Australian employment in the trades as a whole declined by 1.6 per cent through the year to November 2008. However, employment growth/decline varied amongst the major trade groups, with the engineering and electrical trades both experiencing employment reductions, compared to increases in the other trade groups covered by this report.

Engineering Trades

Demand for engineering trades in South Australia depends largely on trends in metal manufacturing and, to a lesser extent, construction and mining. The Engineering Employers Association of SA's monthly survey of *Engineering Business Trends* shows the percentage of firms reporting strong levels of production activity has been relatively flat for the past two and a half years, and significantly below the levels observed earlier this decade. Moreover, the Australian Industry Group's Performance of Manufacturing Index (PMI) shows continuing weakness in the Australian manufacturing sector, with the PMI recording sharp declines in recent months. Difficult trading conditions led to a number of SA manufacturing firms either ceasing operations or downsizing during the second half of 2008, including further employment reductions in automotive parts suppliers. Other sectors such as basic iron and steel production and defence equipment manufacturing were more resilient. Building and construction activity was buoyant up to the period indicated by the most recent ABS data, while anecdotal evidence suggests this situation continued during quarters three and four of 2008. Activity in the state's mining industry largely centred around feasibility assessment and start-up plans at a number of sites across the state, while on an annualised basis, exploration expenditure declined in the September quarter – the first negative result in five years.

ABS Labour Force Survey data show that employment in the engineering trades as a whole declined by 7.2 per cent over the four quarters to November, while DEEWR's Skilled Vacancy Index shows the number of newspaper vacancies for engineering trades was relatively stable in the twelve months to December. Research undertaken by DEEWR in the second half of 2008 identified shortages of experienced metal fabricators, metal fitters, metal machinists and sheetmetal workers. Recruitment difficulties for metal fabricators and metal fitters intensified over the past year, with both occupations moving into shortage. The labour market for welders was rated as no shortage, with most employers able to fill vacancies for this occupation within acceptable timeframes. A shortage of locksmiths was identified, with several unfilled positions existing at the time research was undertaken. The labour market for aircraft maintenance engineers was also assessed and both experienced mechanical and avionics engineers were found to be in shortage as a result of long-standing supply issues.

The South Australian economy is forecast to experience a slower rate of growth in 2008-09, largely as a result of weaker household consumption due to flow-on effects from the global financial crisis. At the same time, the general slowdown in global economic activity which is already underway, may soften demand for South Australian exports, such as motor vehicles and metal manufactures. There are signs that building and construction activity may also slow next year, although recently introduced federal government fiscal stimulus measures are likely to support residential construction to some extent. Mining investment may also be curtailed as a result of large falls in commodity prices which have occurred in recent months. Overall demand for engineering tradespeople is therefore expected to moderate over the short-term. The aggregate supply of new mechanical engineering and fabrication tradespersons is projected to remain high in 2009 and, together with softening demand conditions, may help to ease existing shortages.

Electrical and Electronics Trades

Demand for the electrical trades is closely linked to activity in the construction, manufacturing and electricity supply industries. South Australian building and construction activity was buoyant up to the period indicated by the most recent ABS data, while anecdotal evidence suggests this situation continued during quarters three and four of 2008. Overall conditions in the SA manufacturing industry remain subdued, notwithstanding continuing resilience in sectors servicing the mining and defence industries. The ABS Labour Force Survey shows that employment of electrical trades as a whole declined significantly over the four quarters to November 2008. DEEWR's Skilled Vacancy Index data show a fall in newspaper vacancies for electricians and refrigeration and airconditioning mechanics during the year to December, although feedback from employers indicated reasonably solid demand for electrical installation, repair and maintenance services during the second half of 2008. Formal training completions increased for both trades over the past five years. Employers reported low vacancy fill rates for both experienced electricians and airconditioning and refrigeration mechanics and despite increased supply from formal training, shortages persist for both occupations.

Employment of electronic equipment and telecommunications tradespersons is widely dispersed throughout the telecommunications, retail trade, construction, science and technical services, and machinery equipment repair and maintenance industries. ABS Labour Force Survey data show that employment levels for electronics and telecommunications tradespersons as a whole grew by around 5 per cent over the four quarters to November 2008. At the same time, DEEWR's Skilled Vacancy Index shows demand for electronics and telecommunications tradespersons declined over the year to December. Electronic equipment trades workers specialising in security alarm installation and servicing were difficult to source and only a small percentage of recently advertised vacancies were filled by employers. Lack of qualifications, experience and relevant licenses were the main reasons for recruitment difficulties. Demand for other specialisations within this trade appeared low in comparison and no other recruitment difficulties were identified. Employers seeking telecommunications technicians with experience in repair, fault-finding and installation work reported difficulty filling vacancies and therefore this trade is rated in shortage. Low levels of supply and lack of skills in respect of specific telecommunications equipment were noted as reasons for current recruitment difficulties.

Building and construction activity is expected to slow over the short-term, although recently introduced federal government stimulus measures are likely to support residential construction work to some extent. Supply of electrical trades workers via formal training completions is projected to remain high and this may reduce the extent of recruitment difficulties going forward. There are no indications that demand for either electronic equipment trades or telecommunications technicians will increase above current levels over the short-term, while training rates are also likely to remain comparatively low. Labour market conditions are therefore likely to remain largely unchanged for these trades in 2009.

Construction Trades

South Australian building and construction activity experienced a prolonged period of expansion between 2001 and mid-2008. ABS data show that the total value of building work done increased 6.7 per cent over the four quarters to June, more than double the growth rate achieved over the corresponding period a year earlier. Both residential and non-residential construction work contributed to growth in the period up to June 2008. Engineering construction work done increased 7.4 per cent in the June quarter following declines in the previous two periods. South Australian building approvals, which had been showing resilience up to July, began to weaken in the latter months of 2008. Nonetheless, the total value of construction work approved by local councils in the three months to October 2008 was 13.6 per cent higher than the same period in 2007.

ABS Labour Force Survey data show modest growth in employment of construction tradespersons as a whole over the four quarters to November 2008. DEEWR's Skilled Vacancy Index data show an 11 per cent increase in newspaper vacancies for this group of trades through the year to December, although this was around half the rate of growth in vacancies observed in 2006-07.

Research undertaken by DEEWR in the second half of 2008 indicated that carpenters, joiners, plumbers, roof plumbers, stonemasons and glaziers were all in shortage. However, compared to a year ago, the number of construction trades assessed as being in shortage decreased from eight to six. There were no reports of shortage in respect of bricklayers, cabinetmakers, fibrous plasterers, solid plasterers, painters and decorators, gasfitters, drainers, airconditioning and mechanical services plumbers, wall and floor tilers, and roof tilers.

South Australian building approvals trended downwards in the latter part of 2008. This suggests that the amount of construction work likely to flow through into 2009 will moderate from the robust levels observed previously. The tripling of the first home buyers grant – announced by the Federal Government in October 2008 – is expected to stimulate housing construction activity and help offset a decline in building work arising from a broader slowdown in the Australian economy. The supply of building tradespersons from apprenticeship completions grew strongly over the five years to 2007 and this trend is expected to continue into 2008-09. Given this scenario, shortages in the building and construction trades may ease over the short-term, although the outlook is uncertain.

Printing Trades

Demand for the printing trades is determined by consumer and business demand for locally printed material, which is in turn driven by broader economic conditions. In recent years, the local printing industry has experienced increased competition from overseas, resulting in a number of business closures and workforce retrenchments. DEEWR's Skilled Vacancy index data show that newspaper vacancy levels were relatively stable over the twelve months to December.

Employers who had advertised for printing tradespersons reported difficulty sourcing experienced binders and finishers and printing machinists. Vacancy fill rates for both occupations were low, with many applicants being rejected because they did not have appropriate qualifications or experience with particular printing machines. The fill rate for graphic pre-press tradespersons was higher than that for other printing trades, and employers were able to fill positions more easily. This trade was therefore rated as not being in shortage.

Technological change and increased global competition are likely to result in further rationalisation in the printing industry over the period ahead. Demand for the printing trades is therefore expected to remain relatively subdued. The supply of printing tradespersons as a whole is projected to rise slightly in 2009. The combination of these trends suggest that occupational shortages affecting some of the printing trades may ease over the short-term.

Food Trades

Demand for the food trades is influenced by the level of activity in food retailing and the hospitality industry. Both are affected by the extent of domestic consumer demand and tourism. Expenditure on food retailing in South Australia grew by over 12 per cent in the September quarter 2008, compared to the corresponding period a year earlier. Expenditure on cafes, restaurants and takeaway food grew by 17 per cent over the same period. The number of overseas visitors who spent most of their time in

South Australia increased by 2.4 per cent in the twelve months to October 2008, although the growth rate slowed compared to a year ago.

ABS Labour Force Survey data show a 9 per cent increase in employment of food tradespersons as a whole over the four quarters to November 2008. However, DEEWR's Skilled Vacancy Index data show a 26 per cent decrease in newspaper vacancies for this group of trades through the year to December. Wastage of qualified food tradespersons remains high, while there is also a high drop-out rate from apprenticeship training. Both factors have contributed to supply-side constraints for a number of years. Employers who had advertised for chefs and cooks reported ongoing difficulties recruiting qualified and experienced workers, especially those with high level organisational and supervision skills. Although the vacancy fill rate improved compared to a year ago, chefs and cooks were rated in shortage.

Economic conditions in South Australia are expected to deteriorate in 2009 as a result of the flow-on effects from the global financial crisis. Large falls in equity markets over the past year have contributed to reductions in household wealth, which is likely to have a negative effect on private consumption expenditure going forward. At the same time, apprenticeship completions for cooks are projected to rise in 2009. Given this scenario, current shortages of food tradespersons may be expected to ease over the short-term.

Automotive Trades – (Not assessed at State level)

Demand for automotive trades is driven by the number of vehicle registrations, the stock and age of motor vehicles, the number of motor vehicle accidents and consumer expenditure on automotive services. ABS Motor Vehicle Census data show the number of vehicles registered in Australia increased by 3.5 per cent between 2007 and 2008. Between 2003 and 2008 the number of vehicles registered increased by a total of 16.2 per cent, at a rate of 3.0 per cent per year.

ABS Labour Force Survey data show that in the two years to November 2008 employment in the automotive trades has been varied. Employment of motor mechanics has increased by 13.4 per cent; automotive electricians has decreased by 20.2 per cent; panelbeaters has decreased by 17.4 per cent; vehicle body builders and trimmers has increased by 20.3 per cent and vehicle painters has increased by 22.4 per cent.

The Department of Education, Employment and Workplace Relations (DEEWR) Skilled Vacancy Index shows the number of advertised vacancies for automotive tradespersons decreased significantly (approximately 40 per cent) over the year to December 2008.

Research conducted by DEEWR shows shortages persist across all automotive trades. Following a survey of employers who had recently advertised, employers across the motor mechanic specialisations reported filling between a quarter and a half of advertised vacancies within four weeks. Diesel mechanic vacancies were the most difficult to fill.

Employers who advertised for automotive electricians, panelbeaters, vehicle body builders and vehicle trimmers filled less than half of their vacancies within four weeks and commonly reported difficulties in attracting trade qualified staff. Employers also reported a number of vacancies receiving no suitable applications and cited staff retention as an issue. Employers recruiting for vehicle painters filled slightly more than half of their vacancies but expressed similar difficulties.

Horticultural Trades (Not assessed at State level)

Demand for horticultural services and products in Australia depends on a number of factors including the general level of economic activity, the level of disposable income, consumer expenditure, activity in wholesale and retail trade and weather conditions.

In the year to November 2008, employment across the horticultural trades has been varied. Employment of Gardeners (which includes general and landscape gardeners and arborists) decreased slightly, down 3 per cent, While employment of Greenkeepers increased by 3 per cent. Employment of Nurserypersons decreased by 26 per cent.

Surveyed employers indicated the continuing drought and consequent water restrictions in most of Australia are impacting on demand for horticultural services and products. Despite this, following a survey of employers who had recently advertised, DEEWR research shows there to be no shortages of Greenkeepers and General Gardeners, with both occupations filling more than 60 per cent of vacancies within four weeks of advertising. For both occupations employers received approximately 3 suitable applicants per vacancy. Employers advertising for Nurserypersons had mixed results with recruitment difficulties evident in regional areas but no shortages in metropolitan areas. Both Arborist and Landscape Gardener were found to be in shortage, with employers filling less than half of their vacancies within four weeks. A number of vacancies did not attract any applications at all, with wages and working conditions thought by employers to be the reasons for existing recruitment difficulties.

In general, employer's comments suggest that the main difficulties which exist in recruiting for these trades are finding qualified staff, finding staff with specialist or extensive knowledge and experience, an ageing workforce, comparatively poor wages and conditions compared to other trades and staff retention. Several employers also suggested these trades are over-serviced.