

Overview of demand for trades skills Western Australia (WA) – January 2009

Overview

The Western Australian Government mid year Financial Projections statement of December 2008 predicts a slowing in growth in China which is the largest export market for Western Australia (WA). This will have a significant impact on the mining and resources sector in WA. The extent of the impact of the global financial and economic crisis on Western Australia will become clearer over the next few months. Data on recent economic trends reflected relatively strong growth before the crisis intensified in the later months of 2008. Most economic indices are now trending downwards. Australian Bureau of Statistics (ABS) figures show that in 2008 there were record exports to China, declining slightly in November to \$1715 million which is still one of the highest amounts in the last 10 years. It is important to remember the decline in exports is coming off a historically high figure when making comparisons. Pressure is being placed on the WA economy as the resource industry begins a new round of negotiations on the selling price of their products. It is expected that the prices paid will be significantly lower than those earned in the recent past as a result of the fall in demand on the world commodities market. ABS figures show that Australia's trade surplus halved in the September quarter as resource based exports fell and imports grew as a result of the falling value of the Australian dollar.

The WA Government mid year Financial Projections statement of December 2008 shows that retail sales growth is sluggish, new motor vehicle sales have trended downwards since January 2008 and consumer sentiment is at its lowest level since January 1992. ABS figures illustrate significant falls in household wealth and rising unemployment. This is having a significant impact on retail spending. The WA Government mid year Financial Projections statement of December 2008 predicts dwelling investment to decline slightly in 2008-09 as work on many projects are nearing completion. The level of projects awaiting approval is continuing to decline. The Western Australian Government mid year Financial Projections statement of December 2008 expects the WA economy to slow to 1.5 percent in 2009-10 due to a decline in business investment, construction and net exports. The report predicts unemployment to rise to four percent as the global economy and commodity demand continues to deteriorate. The Melbourne Institute December Bulletin of Economic Trends reports the decline in commodity prices and the fall in demand for commodities has affected labour markets in Western Australia. The latest ABS statistics show that two thirds of the national job losses in November came from Western Australia. Falling house and share prices are expected to keep consumer confidence subdued in 2009. Despite some pent up demand for housing and falls in interest rates, ABS figures indicate a fall in housing approvals in late 2008.

The Department of Education, Employment and Workplace Relations (DEEWR) Skilled Vacancy Index illustrates a sharp reduction in advertised vacancies in the trades section in the final months of 2008. This is supported by the ANZ survey of advertised vacancies which fell in WA in the month of November by 14.9 percent. The WA Mining Monthly of December 2008 reports that some employers are using the decline in demand for skilled labour to recruit more skilled labour. Employers in the construction industry reported they were now able to employ more highly skilled tradespersons and they were trying hard to maintain their workforce. Anecdotal evidence suggests that employers are attempting to retain their workforce as they do not want to repeat the experiences of the recent skill shortage.

Building and Construction trades

Demand for construction and building trades in Western Australia (WA) is largely dependant on the amount of new activity. Housing Industry Australia (HIA) reports that housing starts in WA have been significantly weaker for a third straight year and the number of housing starts is forecast to drop by 16 per cent by end of the financial year 2008-09. The DEEWR Skilled Vacancy Survey (SVI) indicates a decline in advertised vacancies for building and constructions trades for the three months to December 2008. This trend has continued in January 2009 with advertised vacancies for the larger trades of bricklayers and plumbers continuing to fall. The supply of the majority of trades has increased slightly in the financial year 2007-08 through apprenticeship completions and net overseas migration. Stonemasons, glaziers and locksmiths are exceptions to this. The Australian Bureau of Statistics (ABS) Labour Force Survey data indicate that, as whole, employment in the construction trades remained steady from November 2007 to November 2008.

Employers surveyed by DEEWR have generally reported that there has been an increase in availability in the majority of construction tradespersons due to the decline in residential building starts. Large building firms in WA tend to employ tradespeople on a subcontract basis and may not advertise vacancies. Employers report that they are currently maintaining a list of skilled tradespeople who are invited to quote for jobs as they became available. Employers also reported that they were mindful of the need to keep skilled workers employed by way of job sharing and saw this as a way of avoiding future skill shortages.

The WA State Government reports that large construction projects in WA that are already underway will sustain some activity in the building and construction industry in the short term, but this has been off set by a decrease in residential construction. Due to a weakened property market and a slowing of the WA economy, prospective homebuyers are reported to be hesitant to enter the property market. However the WA HIA reports that the lowering of interest rates and the increase in the first homebuyers grant may lead to a modest recovery in the residential sector in the latter half of 2009.

It is expected that there will be no shortages for the majority of the construction trades in the medium term. Trades that pertain to the final completions of constructions such as glaziers, locksmiths and stonemasons are the exception. As WA is now experiencing the end of a building boom that has been subject to skills shortages and an inconsistent supply of materials such as bricks, the completion of project homes and commercial buildings are only now coming to an end. Therefore trades that pertain to the final completion of a building will still be in short supply until the back log has cleared.

Metal Trades

The demand for metal tradespersons for WA in 2007-08 was influenced by strong growth in the manufacturing, mining and boat building industries. The AIG-PricewaterhouseCoopers *Survey of Australian Manufacturing* suggests that manufacturing production in Western Australia remained above the Performance of Manufacturing Index (PMI) until October 2008 with a decline shown in all major manufacturing groups in the latter part of 2008. The WA Department of Industry and Resources report that in the 2007-08 financial year the total value of minerals and petroleum sectors sales reached A\$58.6 billion, a nine per cent increase on the previous year. The Australian Bureau of Statistics (ABS) Labour Force Survey shows that overall employment in the metal trades increased in the year to November 2008. The DEEWR Skilled Vacancy Index indicated a decline in vacancies in the quarter ending December 2008 with this trend remaining in January 2009.

Employers of tradespeople in the manufacturing, mining and boat building industries surveyed by DEEWR have all generally reported shortages. Overall most employers were unable to recruit from local resources and used overseas workers under temporary 457 visas. An increased supply of metal tradespeople sourced from apprenticeship completions and net overseas immigration did not meet demand or offset wastage to the mining industry. However the December 2008 Commonwealth Bank survey of CCI WA businesses report that 64 per cent of businesses operating in the manufacturing and mining industry have been adversely affected by the global financial crisis. The WA Government mid-year Financial Projections reports that the State's key commodity exports have fallen sharply as a result of the global economic crisis and this is impacting on the resources sector. Several mines and downstream industries have since closed resulting in retrenchments. This may lead to a softening of the metals trades labour market in the short to medium term.

Electrical and Electronics Trades

The demand for electrical tradespeople is linked to a variety of industries including building and construction, mining, manufacturing and retail. Whilst the building and construction industries declined in WA, this was off set by growth in the resources sector with the WA Department of Industry and Resources reporting a nine per cent increase in the total value of the mineral and petroleum sales in 2007-08 financial year. Labour Force Survey (LFS) data indicate that between November 2007 and November 2008 the number of Electricians in Western Australian increased by 27 per cent. The Electrical Licensing Board of WA have recorded a general increase in the issue of licenses over the last five years with a total of 21, 426 licensed electricians recorded in WA as of the 31st August 2008. With a strong supply of electricians already recorded and an overall downturn in the economy predicted for 2008-09 financial year the supply of electricians is expected to meet demand in the short term.

The demand for electronics and communications tradespersons is linked to the state of the local economy and dispersed across construction, retail, wholesale, and telecommunications and services industries. Even though supply paths to the electronics and communications trade are more varied than the electrical trades a decrease in supply was recorded with Labour Force Survey data indicating a 23 per cent reduction in tradespeople between November 2007 and November 2008. Employers surveyed by DEEWR also reported a shortage of qualified tradespeople and wastages to higher paid occupations. In the medium term, the expected slowing of economic growth in WA may have a negative impact on demand of electronics and communications tradespersons. However, due to the critical shortages already reported by employers supply is not expected to meet demand in the immediate term.

Printing Trades

The Printing Industries Association of Australia report that in Western Australia 95 per cent of the printing industry comprises of small to medium enterprises who employ approximately 8,000 people. Demand for the printing trades in general is aligned to economic conditions and the levels of business activities in WA.

Employers surveyed experienced difficulty recruiting for printing machinists and shortages of tradespeople in graphic pre-press, screen printing, and binders and finishers.

There is a general decrease in supply of qualified printing tradespeople with Labour Force Survey (LFS) data indicating that overall there has been a decline in the employment in the printing trades from November 2007 to November 2008, with the exception of screen printers. The Printing Industries Association of Australia also report there is a critical shortage of apprentices throughout the printing industry.

Surveyed employers also reported that technological changes, especially in the area of computing are having a marked effect on the industry. Wide use of computers graphic software and digital printing may overall influence demand for tradespeople in the printing industry but this is not expected to off set supply shortages in the short term. Even with the predicted slowing of the WA economy, the supply of printing tradespeople is not expected to meet demand in the immediate 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.

Food Trades (not assessed at state level)

Demand for food trades is largely dependant on levels of food retail expenditure. In light of other recent economic indicators, food retail spending has surprisingly experienced relatively strong expenditure. ABS figures show that spending in food retailing increased, albeit at a slower rate than seen in recent years, through the year to November 2008 by 6 per cent.

ABS Labour Force Survey data show in the year to November 2008 employment growth in food trades was varied. Employment of Butchers and Smallgoods Makers increased by 7 per cent, Chefs and Cooks remained fairly stable and employment of Bakers and Pastrycooks decreased by 9 per cent.

The DEEWR Skilled Vacancy Index shows a steady decline since December 2006 in the number of vacancies for food trades with the count at December 2008 being the lowest it has been in approximately seven years.

Research conducted by DEEWR through a survey of employers who had recently advertised showed shortages exist across all occupations in food trades. Employers recruiting these occupations reported being able to fill approximately half advertised vacancies within four weeks of advertising. Employers commented that lack of qualifications, specialised or extensive experience and staff retention were the main problems associated with attracting staff.

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.