

# **Overview of demand for trades skills Victoria – December 2008**

## **Economic Background**

The Victorian Department of Treasury and Finance estimates the Victorian economy will grow by 1.5 per cent in 2008-09 and by 2.0 per cent in 2009-10. The downward revision to growth since the 2008-09 Budget reflects the impact of slowing global demand, tightening credit conditions, falling asset prices and lower consumer and business confidence. In addition, poor climatic conditions are expected to continue to weigh on the agricultural sector. These factors are expected to affect the key components of domestic demand as well as trade. Household consumption growth is expected to be more subdued in 2008-09, with retail trade slowing to 2.7 per cent in trend terms, and further slowing likely in the coming months. However, consumer incomes and spending have received a boost with lower petrol prices and interest rates, and this is expected to be underpinned by strong population growth. Business investment has been a key driver of growth in recent years, with average annual growth of 9.3 per cent over the past eight years. This is likely to hold up in the near term, due to the substantial amount of non-residential work yet to be done. However, it is anticipated that business investment will slow significantly in 2009-10 as increased uncertainty, low business confidence and tighter credit conditions have started to undermine investment intentions. There are signs that proposed projects in the non-residential construction sector are being withdrawn due to more restrictive funding conditions. This will be partly offset by public-sector driven engineering construction projects such as the Wonthaggi desalination plant.

## **Labour Market and Population Trends**

Australian Bureau of Statistics (ABS) State and Regional Indicators for Victoria show that over the year to September 2008, the unemployment rate increased slightly from 4.3 per cent to 4.4 per cent and the participation rate decreased from 66.3 per cent to 64.7 per cent. The Victorian 2008-09 Budget Update expects the employment growth rate to slow to 0.5 per cent in 2008-09, and 0.75 per cent in 2009-10, reflecting the slowing domestic and external demand conditions. In addition, the unemployment rate is forecast to rise above 5 per cent in 2009-10.

Victoria's population stood at 5 274 000 in March quarter 2008, a growth of 1.7 per cent since the end of March quarter 2007. The increase in population has been driven primarily by net overseas migration. For the first time since March 2006 quarter, the level of net interstate migration in March 2008 was zero persons. The Victorian 2008-09 Budget Update states the population of Victoria grew 1.6 per cent in 2007-08 and is expected to grow 1.5 per cent in 2008-09 and a further 1.5 per cent in 2009-10.

## **Employed Persons by Industry**

In Victoria, the top five employers by industry as at November 2008, were Manufacturing; Health Care and Social Assistance; Retail; Construction; and Professional, Scientific and Technical Services. With the exception of Health Care and Social Assistance, these industries are especially vulnerable to movements in the economy.

### **Engineering Trades Workers**

Fields in this category include fabrication engineering trades workers (sheetmetal trades workers; metal fabricators [boilermakers] and welders [first class]); mechanical engineering trades workers (aircraft maintenance engineers [AMEs]; fitters; metal machinists [first class]; and locksmiths). In Victoria, people in these trades are employed across a number of manufacturing industries – particularly the transport equipment (AMEs; general fitters; fitters and turners; metal machinists); primary metal and metal product (fitter-welders); and fabricated metal product manufacturing industries (fitter-welders). Locksmiths are primarily employed in the public order, safety and regulatory services; and repair and maintenance industries. ABS labour force data for Victoria shows that over the year to November 2008, the number of people working in the transport equipment manufacturing industry fell by 3.5 per cent. Employment in the fabricated metal product manufacturing industry also decreased (7.25 per cent); while the primary metal and metal product, and the public order, safety and regulatory services recorded increases (29 per cent and 4.5 per cent respectively).

ABS labour force data for Victoria indicate that over the year to November 2008 the number of people employed as automotive and engineering trades workers decreased by 3 per cent. The labour market for precision metal trades workers recorded the biggest fall (58 per cent), followed by sheetmetal trades workers (32 per cent) and metal fitters and machinists (11 per cent). The average number of people employed as structural steel and welding trades workers increased by 12 per cent, and the number of employed aircraft maintenance engineers grew by 11 per cent.

The Australian Industry Group – PricewaterhouseCoopers Australian Performance of Manufacturing Index indicates that manufacturing activity fell in Victoria for the seventh consecutive month in December 2008. The continued decline in new orders as consumers, the construction sector and overseas markets cut back on demand suggests that production will ease further over coming months and employment in the sector is likely to remain under pressure.

Research conducted by DEEWR suggests most of the trades surveyed were in shortage. However employers seeking welders (first class) did not report a shortage. They stated that due to a number of retrenchments, coupled with a slowing down in employment growth in the resource boom states of Western Australia and Queensland, local supply to the trade had increased. Employers advertising for locksmiths had difficulty recruiting skilled staff – particularly for certain security activities requiring registration. Given the current global economic conditions, it is anticipated the Victorian manufacturing sector will experience more difficulties in the short term. While a lower Australian dollar will make exports more competitive, this will be offset by the decline in demand in international markets. There may be a softening in demand for automotive and engineering trades workers in 2009 which will increase supply in Victoria.

### **Construction Trades Workers**

Eleven trades were assessed in 2008: bricklayers; stonemasons; carpenters; joiners; painting trades workers; glaziers; fibrous plasterers; solid plasterers; roof tilers; wall and floor tilers; and plumbers. ABS labour force data for Victoria indicate that annual average employment of construction tradespersons as a whole increased by over 7 per cent over the year to November 2008. Employment levels varied across the trades assessed, but most showed employment growth. According to ABS data, over the year to

November 2008, the highest jobs growth recorded was for roof tilers (increase of 98.5 per cent), followed by wall and floor tilers (up by 64.5 per cent). Employment weakened for glaziers (down 22 per cent); bricklayers and stonemasons (down 11 per cent); and plasterers (down 5 per cent). The ABS has indicated that the value of total construction work in Victoria in September 2008 quarter was nearly 10 per cent greater than in September 2007 quarter.

A survey of employers who had recently advertised for construction trades workers found that most trades surveyed were in shortage. The exceptions were painting trades workers; roof plumbers; and drainers. Employers also had difficulty recruiting general plumbers. The outlook for construction activity in Victoria from the Construction Forecast Council over the next twelve months is mixed, with an average annual growth rate of 6 to 7 per cent for residential building; a decrease in non residential building activity; and strong growth in engineering construction as major infrastructure projects commence, such as the Wonthaggi desalination plant, in 2009. While there may be a softening in demand for construction trades workers in the non-residential sector, strong population growth and pent up demand for housing may see shortages in these trades persist over 2009.

### **Electrotechnology and Telecommunications Trades Workers**

Four trades in this group were examined in late 2008: airconditioning and refrigeration mechanic; electrician (general); electronic equipment trades worker; and telecommunication technician. In Victoria, electrotechnology and telecommunications trades workers are employed across several industries including: construction; manufacturing; equipment repair and maintenance; electrical and electronic goods retailing; and telecommunications services. As such, demand for these trades is closely linked to general economic conditions and consumer income and expenditure.

ABS labour force survey data for Victoria indicate the annual average employment of workers in this category as a whole decreased by 2 per cent (1025 workers) over the year to November 2008. Separate labour force data for each trade surveyed are not available, but aggregate data for this period suggest electricians (including general, special class electricians and lift mechanics) were the only group in this category to experience growth in employment numbers (an increase of 9 per cent). The number of people working as airconditioning and refrigeration mechanics decreased by 30 per cent; while the numbers of electronics trade workers and telecommunications trades workers fell by 11 per cent and 14 per cent respectively.

A number of employer surveys conducted by DEEWR in the December quarter 2008 indicated that with the exception of telecommunications technicians, all trades surveyed in this category were in shortage. Employers who were seeking electricians (general) commented that many qualified, skilled candidates had been drawn to the more attractive remuneration packages offered by the mining industries in Queensland and WA. The weakening of the mining sector may boost supply locally over the next 12 months. It is expected that demand for airconditioning and refrigeration mechanics may also ease over 2009 as the building and construction industries slow. Employers seeking electronic equipment tradespeople indicated that due to the availability of cheaper and more technologically advanced equipment along with an accelerating rate of obsolescence, many consumers are opting to replace rather than repair equipment; as a consequence, demand for repair services has fallen. However, supply to the trade is also declining with

only 12 completions in 2008 in courses relevant to work in this occupation. Therefore shortage of workers in this trade may continue over the coming months. Employers seeking telecommunications technicians appeared to have little difficulty filling most of their vacancies. With Victoria's rising population, the demand for telecommunication services will also increase. State and Commonwealth investment in the industry is expected to increase or improve access which is likely to create further demand in the medium term for technicians in this area.

### **Food Trades Workers**

In Victoria chefs and cooks are primarily employed in cafés and restaurants, food retailing, and accommodation and therefore consumer spending as well as tourism can influence demand for these occupations. About 20 per cent of employed cooks in Victoria work in the health care and social assistance sector. ABS labour force survey data indicate that over the year to November quarter 2008, the average number of employed chefs declined by 20.5 per cent, while the average number of employed cooks increased by 9.5 per cent.

The *2008-09 Budget Update* for Victoria indicates household expenditure is expected to be more restrained in 2008-09, despite falling interest rates and lower petrol prices. In addition, the Victoria Tourism Industry Council's Industry Survey of Tourism Performance and Outlook predicts employment in the tourism industry will decline over the coming quarter to February 2009. A DEEWR survey in July of employers who had recently advertised for chefs and cooks found both occupations to be in shortage in Victoria, with only half the surveyed vacancies filled. These shortages were evident in both Melbourne and regional areas of Victoria, with some employers commenting that applicants did not have the required skill sets. The number of people completing a Certificate III in Hospitality (Commercial Cookery) has been relatively stable in recent years, and indications are that there may be a softening of demand for these trades.

### **Other Technicians and Trades Workers**

There are a variety of trades in this category and those surveyed in 2008 were cabinetmaker; signwriter; boatbuilder and repairer; shipwright; binder and finisher; graphic pre-press trades worker; printing machinist; screen printer.

Demand for cabinetmakers is closely correlated with the level of building commencements and renovations. Other influences include the level of imported goods and the development of modern machinery which reduces the need for skilled labour. ABS labour force data show the average number of cabinetmakers employed in Victoria declined from 8 725 in 2007 to 7 175 in 2008. Structural fitting or component manufacturing firms; or furniture manufacturing firms are the largest employers for cabinetmakers. In December 2008 DEEWR found this trade to be in shortage, with less than one suitable applicant on average per vacancy and two thirds of surveyed positions filled. Given the recent declines in the level of building approvals there should be an easing in the unmet demand for cabinetmakers for at least the next six months.

Demand for boatbuilders & repairers/shipwrights is positively correlated with overall economic activity and real disposable incomes. The bulk of the boat building and repair industry is in the leisure market and demand is therefore a function of discretionary spending available to households; a far smaller proportion of the Victoria boat building and repair industry is for commercial production and repair. ABS 2006 Census data for

Victoria indicate 483 persons employed as boatbuilders and repairers; while the labour market for shipwrights is even smaller with only 72 employed in this trade. The recent decline in economic growth and the forecast for lower growth in the outlook period should see an easing in the skills shortage previously identified by DEEWR, in which less than half of surveyed vacancies were filled.

Demand for signwriters is also positively correlated to economic activity. Most demand is from the retail, real estate and manufacturing industries and is a function of enterprises' advertising and signage budgets. ABS labour force data shows an average of 1 875 people were employed as signwriters in 2007, declining to an average of 1 225 in 2008. The research conducted in December 2008 found there was a shortage of signwriters, with approximately half of surveyed positions filled. The signwriting industry has undergone significant technological change with employers seeking applicants with computer-aided design skills; employers noted that even recently qualified applicants had a skills deficiency in this regard. Declining economic activity should result in an easing in the skills shortage previously identified.

Several occupations in the printing and associated industries were researched in 2008: binder and finisher; screen printer; printing machinist; and graphic pre-press trades worker. ABS labour force data for the November 2008 quarter indicate a 28 per cent decline in the average number of people employed as binders, finishers and screenprinters, compared with the same period the previous year. There was no change in the average number of people working as printers (including printing machinists and small offset printers). The reports found that demand is positively correlated to the level of general economic activity and negatively correlated to the exchange rate. Employers contacted during research suggested the strong Australian dollar had increased the costs for the local printing industry, consequently some work had been outsourced to overseas firms, thus reducing demand for Australian printing industry workers. At the time of survey, most surveyed printing trades were in shortage with very low fill rates. Employers seeking printing machinists were more successful in finding suitable candidates, but still had considerable difficulty recruiting people with machine-specific experience. The effects of the decline in economic activity and the opposing force of a weaker Australian dollar are yet to be assessed.

#### **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.