Overview of demand for trades skills
New South Wales (NSW) – January 2009

The NSW labour market improved marginally in 2008 compared with 2007, although employment fell and unemployment rose in the second half of the year due to slower growth in the NSW and international economies. Employment grew by 2.0 per cent in the year to November 2008, following growth of 1.9 per cent the previous year. The unemployment rate edged down from 4.8 per cent to 4.7 per cent over this period, while the participation rate increased from 63.2 per cent to 63.5 per cent.

Demand for the trades under discussion is largely determined by activity in the manufacturing, construction and, to a lesser extent, mining industries. Manufacturing activity in NSW weakened in 2008 while both the construction and mining industries posted solid growth.

The AIG-PricewaterhouseCoopers *Performance of Manufacturing Index* for December indicates that manufacturing activity in NSW fell for the eighth consecutive month, while the Australian Bureau of Statistics (ABS) Labour Force Survey shows that employment in the industry was flat in 2008. Manufacturing activity in NSW was constrained for most of 2008 by the high value of the Australian dollar (which hampers exports and makes imports more price competitive) and in the latter part of the year was adversely affected by the weakening NSW and international economies.

Construction activity in NSW grew by 5.6 per cent in the year to September 2008, due to a 21.1 per cent increase in engineering construction assisted by a substantial increase in infrastructure expenditure by the state Government. Building activity was weaker, with the value of work done falling by 3.7 per cent in the year to the September quarter, following growth of 1.1 per cent the previous year. Residential building shrank by 4.5 per cent in the year to September – its fourth consecutive year of decline – while non-residential building contracted by 2.7 per cent.

The NSW mining industry continued to perform solidly for most of 2008 due to the opening or expansion of a number of NSW mines, high contract prices for key mineral exports and strong demand from the Asian region. Raw coal production (which accounts for more than 70 per cent of the value of mining output in NSW) grew by 4.5 per cent in the year to November, following growth of 2.7 per cent the previous year.

The Labour Force Survey indicates that employment of tradespersons in NSW grew by 2.5 per cent in the year to November 2008, which was above the figure of 2.0 per cent for all occupations. The outlook for trades employment in 2009 is less positive, with the NSW Treasury expecting economic growth in the State to slow from 2.8 per cent in 2007-08 to 1.25 per cent in 2008-09 and 1.5 per cent in 2009-10. However, the Construction Forecasting Council (CFC) is forecasting construction activity to grow by 10 per cent in 2008-09 and by 15 per cent the following year (not adjusted for inflation) which should help support demand for those trades closely tied to this industry. The Australian Bureau of Agricultural and Resource Economics (ABARE) expects coal output to rise further in 2008-09 due to increased production capacity and higher demand for thermal coal, particularly from Asia. The outlook for the industry in the second half of 2009 is more uncertain, as a significant reduction in the contract price for coal exports is expected.

Engineering Trades Workers

Despite a slowing economy, demand for the engineering trades in NSW was solid for most of 2008 due to firm activity in mining, engineering construction and the manufacture of metal products, machinery and equipment. While NSW manufacturing conditions deteriorated in 2008, activity in the metal manufacturing industries was firmer, particularly in those sectors tied to the expanding engineering construction and mining industries. Gross value added by the metal product manufacturing and machinery and equipment manufacturing industries in Australia increased by 7.8 per cent in the year to September 2008, and these industries were also solid in NSW.

The Labour Force Survey indicates that employment of engineering trades workers increased in 2008. Although the DEEWR Skilled Vacancy Index (SVI) shows that newspaper advertisements for these trades eased in the second half of the year, shortages were nevertheless evident in all of the engineering trades surveyed by this department. In the case of the mechanical engineering trades, shortages were largely the result of a low training rate which has been insufficient to offset wastage from the occupation.

Over the short term, demand for these trades will be adversely affected by the slowdown in the NSW and international economies. However, the CFC expects construction activity to grow solidly in 2009 and this should help underpin demand in some industry sectors. A number of trades – such as metal fabricators – will also benefit from major upgrades at Bluescope Steel's Port Kembla site in the first half of 2009.

Construction Trades Workers

While NSW construction activity grew solidly in 2008, demand for the construction trades varied considerably in different segments of the industry, with engineering construction growing strongly in the year to September, while both the residential sector and non-residential building contracted.

The Labour Force Survey shows an increase in employed construction trades workers in 2008, although the DEEWR SVI indicates that vacancies fell in the second half of the year. The DEEWR review of construction trades undertaken in late 2008 showed that demand had eased significantly, with shortages and recruitment difficulties confined to a small number of trades in some regions and industry sectors.

The CFC expects construction activity to grow by ten per cent in 2008-09 (not adjusted for inflation), underpinned by 27 per cent growth in engineering construction. Growth is forecast to accelerate to 15 per cent in 2009-10 with an expected upswing in the residential sector and solid gains in non-residential building. If these forecasts are realised, demand for the construction trades should gradually improve over 2009 although the gains are likely to be uneven and dependent on the pace of growth in different sectors of the industry.

Electrotechnology and Telecommunications Trades Workers

Demand for electrical trades workers in 2008 was constrained by subdued activity in the building and manufacturing industries which outweighed solid growth in engineering construction and mining and steady demand in electricity generation and distribution. Labour Force Survey data do not show any significant growth in employment of electrical trade workers in 2008 while the DEEWR SVI shows a substantial decline in vacancies over the year. In general, employers had marginally more success in filling vacancies for electrical trades workers than was the case in 2007, although shortages were still evident for electricians and airconditioning and refrigeration mechanics.

Demand for electronic equipment trades workers has been adversely affected by the long-term trend of falling prices for electronics equipment and the replacement rather than repair of most consumer electronics goods. However, the trade has grown in a number of other areas such as audio-visual systems, electronic security and electronic monitoring and scanning. Demand for telecommunications trades workers has been mixed in recent years with some major telecommunications companies shedding staff while a number of large contractors and smaller providers have been expanding.

Industry contacts reported that new project work eased in late 2008 in anticipation of the outcome of the National Broadband Network (NBN) selection process and due to concerns over the global financial crisis. Shortages, however, were evident for some skill specialisations such as fibre optic technicians with splicing, terminating and testing skills.

In the short-term, the slowdown in the pace of economic growth will have a negative impact on demand for electrotechnology and telecommunications trades workers, although this will be offset to some extent by increased spending on infrastructure by the Australian Government and NSW Government. Requirements for trades workers with experience in fibre optics and other relevant technologies will increase when work on the NBN commences.

Food Trades Workers

Demand for the food trades is strongly influenced by activity in food retailing and accommodation, cafes and restaurants, which is in turn determined by the level of consumer expenditure and tourism. Over the first half of 2008, consumer expenditure was constrained by high interest rates and petrol prices while inbound tourism was adversely affected by the strong Australian dollar. Conditions deteriorated in the second half of the year with weakening consumer expenditure in NSW and a sharp slowdown in world economic growth as a result of the global financial crisis. Turnover in cafes and restaurants in NSW fell by 12 per cent in the year to September 2008 while the number of guest nights spent in NSW tourist accommodation grew by only one per cent. Labour Force Survey data suggest that employment of food trades workers was flat in 2008 while the DEEWR SVI for these trades fell substantially from September 2008. Despite weaker demand, DEEWR research conducted in September showed that metropolitan recruitment difficulties and regional shortages persisted for chefs and cooks, as new entrants from apprenticeship completions were not sufficient to compensate for the number leaving the occupations.

The short-term outlook for food trades workers remains subdued, with the NSW Treasury forecasting significantly slower economic growth in 2008-09 and 2009-10. Moreover, the Tourism Forecasting Committee (TFC) expects the number of overseas visitor arrivals to Australia to fall by four per cent in 2009 and the number of domestic visitor nights to fall by one per cent.

Printing Trades Workers

Demand for these trades has been weak in recent years, with the printing industry undergoing significant restructuring due to technological change and increased import competition. Census data show that employment of printing trades workers in NSW fell by almost a fifth between 2001 and 2006. Demand has remained soft since then, as continued rationalisation of the industry saw the closure of a number of printing plants in 2008. DEEWR research conducted in late 2008 found that shortages were confined to a small number of printing trades and mainly arose from supply-side factors such as above-average wastage.

Demand for the printing trades is expected to soften over the short term in the face of slower economic growth and the ongoing restructuring of the industry. As a result, shortages in these trades are likely to ease in 2009.

Wood Trades Workers

Census data show that employment of wood trades workers fell by 11 per cent from 2001 to 2006 as the furniture manufacturing industry continued its long-term decline in the face of increased import competition. More recently, the *Performance of Manufacturing Index* for December indicates that manufacturing activity in NSW fell for the eighth consecutive month, while Australian wood, wood products and furniture manufacturing fell for the seventh consecutive month. Despite this weakness in demand, shortages were evident for cabinetmakers – the largest of the wood trades – mainly due to a low training rate, which is insufficient to offset wastage from the occupation. Demand for wood trades workers is expected to remain subdued over the short term as weaker NSW and international economic activity is likely to outweigh the benefits of a lower Australian dollar for the furniture manufacturing industry.

Miscellaneous Trades Workers

This group covers a disparate range of trades subject to highly diverse demand factors. Of those trades reviewed by this department, shortages were evident for shipwrights and boat builders and repairers, mainly due to supply-side factors, including a wastage rate, which is more than twice the average for all trades.

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.