

# Overview of demand for trades skills Northern Territory – December 2008

## Economic Summary

The Northern Territory (NT) economy has performed strongly over recent years with Gross State Product (GSP) annual average growth of 5.3 per cent over the four years from 2004-05 to 2007-08. Continued growth is forecast, albeit at the reduced rate of 4.6 per cent, for 2008-09. However current growth is the result of momentum built when resource and commodity demand was booming at the international level. Although this is no longer the case, the NT has initially been resilient to the wider economic downturn. The NT's economic strength has been leveraged from the resources sector so, although there are significant lag times, the NT economy is somewhat tied to the fate of the resources sector and is forecast to shrink in 2010-11 and 2011-12. Federal Government spending for the NT Intervention (\$1.3 billion over 4 years from 2007/08), will continue to provide some stimulus for the NT economy, particularly for remote areas. Government economic stimulus packages will also help buoy the economy, particularly the construction sector.

The strong economic growth of recent years has led to strong jobs and population growth for the NT. During 2008, employment in the NT increased by 2.2 per cent and the number of people unemployed declined (ABS Labour Force Survey for December 2008). Although the participation rate declined, the size of the labour force continued to increase as a result of population growth. The strength of the NT labour market did show signs of deterioration in the second half of the year with employment growth levelling off and the unemployment rate increasing. However, the unemployment rate at 3.8 per cent (in December) remains below the national rate of 4.4 per cent.

Small and medium enterprises in the NT have had strong performance results in 2008 with sales value and profitability indicators remaining positive (November 2008 Sensis Business Index). Business confidence for the next 12 months also remained positive; however, fell sharply during the year to a third of its high in February. Job vacancy advertisements in the NT declined throughout 2008 (by 21 per cent) and dropped back to 2006 levels (ANZ job advertisements series to December 2008). Advertised vacancies for qualified tradespersons (Department of Education, Employment and Workplace Relations' skilled vacancy index), although increasing in the first half of the year, declined steeply over the second half of 2008.

Engineering construction activity has been strong in 2008, boosted by major projects such as the Compass Mt Finch mine and Montara Oil field developments and construction of the Bonaparte gas pipeline. After declining throughout 2007, with the void left following the Alcan G3 refinery expansion completion, the value of engineering construction work done recovered in 2008 regaining 2006 levels (ABS Engineering Construction Activity September 2008). Continued strength in engineering construction (and the NT economy as a whole) will hinge on the multi billion dollar Inpex LNG plant scheduled for commencement in 2010. The value of building activity (in chain volume measures) has remained stable in 2007 and 2008 at the strong level reached in 2006 (ABS Building Activity September 2008), with both the residential and non-residential sectors retaining their strength.

The NT economy has initially been resilient to the wider economic downturn; however, it is not expected to remain immune. Gross State Product has been forecast to decline in both 2010-11 and 2011-12 and this would dampen demand for many trade roles (particularly engineering and construction trades). However, the NT is a highly volatile marketplace and individual major projects can have a large effect on the economy. For example; if the Inpex project commenced in 2010, its

size would ensure the forecasts were upwardly revised and that the supply of trade workers may again become an issue.

### **Engineering Trades Workers**

This occupational group includes automotive, fabrication engineering and mechanical engineering trade workers. The fabrication engineering trade occupations assessed for the NT were sheet metal trade workers, metal fabricators and welders. The mechanical engineering trade occupations assessed for the NT were aircraft maintenance engineers, fitters and locksmiths. Each of these occupations was assessed to be in shortage in 2008 and at the time were expected to remain in shortage for the coming year. However, the current global financial crisis will have an impact on demand (particularly for engineering trade roles) that could lead to an alleviation of the shortage ratings.

Demand for engineering trades in the NT depends on construction, mining and metal manufacturing. The value of engineering construction work done increased during 2008, after declining throughout 2007, regaining the high level achieved in 2006 (ABS Engineering Construction Activity September 2008). The value of building activity (in chain volume measures) has remained stable for the past three years at the strong level reached in 2006 (ABS Building Activity September 2008), with both the residential and non-residential sectors retaining their strength. The value of engineering construction in 2009 is not expected to match that of 2008 as the momentum of work in train wains; however, building activity should hold.

Employers have had a reliance on recruiting interstate travellers to the NT and sponsoring overseas tradespeople to fill engineering trade roles. However, the number of engineering trade apprentices in training (particularly in fabrication trades) has increased over the past couple of years albeit from a small base. Businesses commonly were looking to increase the number of engineering trade workers they employed, but said the difficulty recruiting was a constraint on growth. Recruitment to higher paying roles, typically mining or associated industry roles, was more successful than standard workshop roles. The mining industry has been a significant drain on supply of engineering trade workers for other sectors. The current rationalisation of mining activity as a result of the global financial crisis may now reverse this trend and boost supply to other sectors.

### **Construction Trades Workers**

This occupational group includes bricklayers, carpenters, floor finishers, painters, glaziers, plasterers, tilers and plumbers. Occupations within this group that were assessed for the NT are bricklayers, carpenters, painting trades workers, glaziers, fibrous plasterers, wall and floor tilers and plumbers. Each of these occupations were assessed to be in either shortage or recruitment difficulty in 2008. Despite the generally weaker economic conditions currently, the labour market for these trades may remain constrained in 2009.

Demand for construction trades depends largely on the amount of building construction activity. The value of building activity (in chain volume measures) has remained stable for the past three years at the strong level reached in 2006 (ABS Building Activity September 2008), with both the residential and non-residential sectors retaining their strength. The construction industry in the NT was consistently considered to be booming by business employers in the industry in 2008 with capacity restraints restricting further growth. A large log of construction projects remains for 2009 and additional construction projects resulting from national funding to stimulate the economy should ensure demand levels at least hold in the NT.

In some of the construction trade occupations there is a high proportion of people employed in the NT without being officially trade qualified. This occurs for bricklayers, plasterers, painters and tilers and for these trades little local apprenticeship training occurs. There has been an increase in apprenticeships for carpenters and plumbers in recent years; however, interstate migration remains a

*Labour Economics Office Northern Territory*  
*Department of Education, Employment and Workplace Relations*

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major new supply source for these trades. Construction tradespersons are commonly employed on a sub-contract basis and a significant proportion of the labour force tends to be highly transient.

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

This occupational group includes electricians, air-conditioning and refrigeration mechanics, electrical distribution, electronics and telecommunications trade workers. Occupations within this group that were assessed for the NT are electricians, air-conditioning and refrigeration mechanics, electrical equipment trade workers, telecommunications linesworkers and telecommunications technicians. Each of these occupations were assessed to be in shortage in 2008. Despite the generally weaker economic conditions currently, these trades may remain in shortage for the coming year.

Demand for the electrical trades is largely dependent on construction activity and is also linked to manufacturing, electricity supply, mining and communication services. The value of building activity (in chain volume measures) has remained stable for the past three years at the strong level reached in 2006 (ABS Building Activity September 2008), with both the residential and non-residential sectors retaining their strength. The construction industry in the NT was consistently considered to be booming by business in the industry. Significant construction projects resulting from national funding to stimulate the economy should ensure demand levels at least hold in the NT in 2009.

Employment of electronics and communications tradespersons is widely dispersed throughout construction, manufacturing, retail, wholesale, telecommunications industries and other business services. Demand for communications trade work has grown strongly with the construction boom and increasing emphasis on building safety and security management systems. Demand for electronic instrument technicians (with a dual electrical trade) has grown due to increased mining and plant processing industry requirements.

For the electrical trades, roles in maintenance and residential construction are harder to fill than higher paying mining, resources and heavy infrastructure industry roles. There has been an increase in electrotechnology and telecommunications trade apprenticeship completions in recent years; however, there remains a reliance on being able to attract tradespersons from interstate and overseas. Employers were commonly looking to increase their number of tradespersons due to excess demand. The mining industry has been a significant drain on supply for electrotechnology and telecommunications trade workers from other sectors. The current rationalisation of mining activity as a result of the global financial crisis may now reverse this trend returning supply to other sectors.

### **Food Trades Workers**

This occupational group includes bakers, butchers, chefs and cooks. The chef and cook occupations within this group were assessed for the NT and found to be in shortage. Although demand for chefs and cooks may decline in 2009, the labour market difficulties are predominantly based on supply issues and these are likely to remain and therefore the trades may continue to be in shortage.

Demand for food trades is largely determined by the level of activity in the food retailing and the cafes, restaurants and takeaway food service industries. Following a flat year in 2005, food retailing turnover in the NT has grown strongly (ABS Retail Trade, 8501.0) over the past three years, increasing by 44 per cent from November 2005 to November 2008 (note: as well as growth in demand, inflation is expected to have contributed significantly to this increase). Turnover for the cafes, restaurants and takeaway food sector increased in the second half of 2008; however, this was the result of increased takeaway food retailing and cafes and restaurants turnover actually declined. DEEWR's skilled vacancy index data shows vacancies advertised for the food trades peaked in 2006.

The number of apprentices training in the food trades area has not grown over the past six years in the NT. The number of apprenticeship completions is low due to a high number of cancellations, with the completion rate below one in three. There is a high reliance on travelers to the NT, such as backpackers, to fill vacancies for short stints. Relatively low wages, poor work conditions and unpopular shift hours were considered to contribute to high turnover and skills wastage for the food trades.

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

This occupational group includes hairdressers; printing trade workers; textile, clothing and footwear trade workers; wood trade workers and other miscellaneous technicians and trade workers. The cabinetmaker and signwriter occupations within this group were assessed for the NT and both were found to be in shortage. Despite the generally weaker economic conditions currently, the labour market for these two trades may remain constrained in 2009. However, the sign writing industry is sensitive to economic conditions so demand may be more significantly impacted.

Demand for cabinetmakers and signwriters is closely linked to building construction activity. The value of building activity (in chain volume measures) has remained stable for the past three years at the strong level reached in 2006 (ABS Building Activity September 2008), with both the residential and non-residential sectors retaining their strength.

Cabinetmaking and sign writing businesses tended to be working to capacity and had a significant bank of future work booked. The number of cabinetmaking apprenticeship completions is low and has not increased in recent years leaving a reliance on interstate arrivals and transient travellers for supply. Sign writing employers tend to focus on training local people and building experience in-house. However, for both occupations, a lack of supply of workers has resulted in business growth being constrained.

### **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.