

Overview of demand for trades skills

Northern Territory – December 2007

The Northern Territory (NT) economy has performed very strongly over recent years with Gross State Product (GSP) growth averaging 5.5 per cent each year over the three years from 2004-05 to 2006-07. Continued growth is forecast for 2007-08, however at the reduced rate of 4.6 per cent. The resource rich NT has been a beneficiary of the international commodities boom with significant investment now resulting in increased exports. The continued strong economic growth has led to strong jobs and population growth for the NT. In turn, the value of construction work done (both residential and non-residential), although not increasing over 2007, has remained close to peak levels. The Federal Government has committed \$1.3 billion (over 4 years from 2007/08) for the NT Intervention, providing further stimulus for the NT economy, particularly for remote areas.

The NT's growing economy has resulted in strong labour market results throughout 2007, with the size of the labour force and employment currently at record levels (ABS Labour Force Survey for December 2007). During 2007, employment in the NT increased by 5.8 per cent and the size of the labour force increased even more strongly with an extra 9000 people in the labour market. Although employment has increased, unemployment has also increased throughout 2007 and the unemployment rate (at 5.3 percent) is currently higher than the national rate. The increased unemployment has not come from job losses, but rather from population growth and increased labour force participation. The lifting of exemptions from looking for work in remote aboriginal communities and changes to the Community Development Employment Program (CDEP) during the year is also expected to have influenced the measured increase in unemployment.

Small and medium enterprises in the NT have had strong performance results in 2007 and business confidence for the next 12 months remains high. The employment growth indicator is also well above the national average (November 2007 Sensis Business Index). Job vacancy advertisements in the NT grew strongly throughout 2007 (by 25 per cent) and are currently at a record level (ANZ job advertisements series to December 2007). Advertised vacancies for qualified tradespersons (Department of Education, Employment and Workplace Relations skilled vacancy index) have also grown in 2007.

Engineering construction activity has been very strong since 2001, boosted by major projects such as the Alcan refinery expansion and the Wickham Point liquefied natural gas (LNG) plant. However, continued strength is currently less certain due to a pause between multi billion dollar projects. No new major resource project of this size has yet moved from the planning phase to take over from the Alcan expansion being completed. The value of building activity peaked in late 2006, however, activity has remained at near peak levels during 2007 with both residential and non-residential construction performing well.

The NT economy is expected to continue to perform well in coming years, however, high volatility is expected due to interim periods when major projects end and new ones begin. Individual major projects (such as the Alcan G3 expansion) have a large effect due to the relative small size of the total NT economy. The supply of skilled workers is also volatile due to a heavy reliance on transient people. High volatility aside, the strong demand for skilled personnel is expected to remain over the next 12 months.

Engineering Trades

Engineering construction activity in the NT has been dramatically boosted by major projects (such as the Wickham Point LNG plant construction and Alcan's G3 alumina refinery expansion) for the past five years. However, the value of work done has been in decline during 2007 (ABS 8762.0 –

September quarter 2007) and the value of work yet to be done has dropped below \$300 million for the first time since 2001.

The approaching completion of the multi billion dollar Alcan G3 expansion has driven the decline. However, demand for engineering tradespeople remains very strong. Even in Nhulunbuy (where the Alcan refinery is located) demand for tradespeople seems unaffected by the decline in the value of work done. The Alcan expansion project had a significant reliance on shipped in pre-assembled modular engineered components from overseas and a fly in fly out workforce. However, Alcan do look to cover ongoing and general engineering work requirements locally and with the increased refinery capacity this has grown. Additionally, other businesses in Nhulunbuy have a backlog of smaller engineering works to complete.

ABS Census data indicates that there were nearly 2200 mechanical and fabrication engineering tradespersons employed in the Northern Territory in 2006 (with an annual average growth rate of 1.7 per cent since the 2001). The growth was for the fabrication trades rather than the mechanical trades, however, mechanical tradespersons still account for 63 per cent of the broader engineering trades group. Labour Force data indicates that the number of engineering tradespersons grew further in 2007. After peaking in 2005, DEEWR's skilled vacancy index recorded continued strength in advertised vacancies for engineering tradespeople in 2006 and 2007.

There is a high reliance on interstate recruitment, recruiting travellers to the NT and sponsoring overseas tradespeople for 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. All the engineering trade occupations assessed for the NT were considered to be in shortage. The shortage of engineering tradespeople intensified during 2004 and 2005 and has remained evident in 2006 and 2007. As well as employee turnover, vacancies were commonly due to employers looking to expand to meet demand. Recruitment to higher paying roles, typically mining or associated industry roles, was more successful than standard workshop roles. The shortage of engineering tradespersons is expected to remain in 2008 even though the value of engineering work done is not expected to match recent years.

Automotive Trades

The number of motor vehicles registered in the NT grew by 19 per cent over the ten years from 1996 to 2006 (ABS Motor Vehicle Census 9309.0). However demand growth for automotive tradespersons is not expected to have been as strong due to efficiencies gained through new technologies and procedures and the reducing average age of vehicles used. The number of automotive tradespersons employed in the NT over the same period (1996 to 2006) only grew by 4.3 per cent (ABS Census data) to 1393 people.

Each of the automotive trades assessed were considered to be in shortage for the NT. Although some employers have been looking to expand, most have struggled to retain their existing number of tradespersons. Skills wastage is a significant issue with tradespersons leaving the industry. There is perceived to be a gap between both the skill level required and the harsh work environment compared to the remuneration offered for the trades. Automotive businesses commonly have existing infrastructure available for expansion as well as surplus demand, but fail to secure additional tradespersons. Some employers have been able to secure overseas people on skilled migration visas and others are now also considering this option. More employers have taken on motor mechanic apprentices over the past three years, however they suffer a high attrition rate with them.

Electrical and Electronics Trades

Demand for the electrical trades is largely dependent on construction activity and is also linked to manufacturing, electricity supply, mining and communication services. Although growth in the value

of both residential and non-residential building work done (in chain volume measures) levelled off during 2007, strong growth had occurred during the three years to 2007. Construction industry businesses consistently claim the industry in the NT is still booming.

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.

Census data indicates employment in the NT of electrical and electronics tradespersons increased significantly more in the five years to 2006 compared to the five years to 2001 (with an annual average growth rate of 2.6 per cent compared to 0.7 per cent). ABS labour force data indicates further employment growth for these trades in 2007. DEEWR's Skilled Vacancies Index data show newspaper vacancies for the electrical and electronic trades (the majority which are for electricians) have been high since 2003 and increased further in 2007 reaching a new peak.

Skill shortages were evident for each of the electrical, electronic and communication trade occupations assessed in the NT. Roles in maintenance and residential construction are particularly hard to fill as employers are not able to compete with higher paying mining, resources and heavy infrastructure industry roles. The number of electrician apprenticeships has increased during the past three years with employers more receptive to taking on apprentices. However, the resulting contribution to supply is small in comparison to the level of demand. There is a reliance on being able to attract tradespersons from interstate for the electrical and electronic trades. Employers were commonly looking to increase their number of tradespersons due to excess demand.

Construction Trades

Demand for construction trades depends largely on the amount of building construction activity. Although growth in the value of both residential and non-residential building work done (in chain volume measures) levelled off during 2007, strong growth had occurred during the three years to 2007. Construction industry businesses consistently claim the industry in the NT is still booming and capacity restraints restrict further growth. ABS Census data indicates that the number of construction tradespeople employed in the NT grew over the five years to 2006 (with a 3.0 per cent annual average growth rate), however remained below the number employed in 1996. DEEWR's skilled vacancy index data shows vacancies advertised for construction tradespersons grew consistently from 2001 to 2006 and have remained high in 2007.

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 very little local apprenticeship training occurs. There has been an increase in apprenticeships for carpenters and joiners and for plumbers and gasfitters in recent years, however, interstate migration remains the main new supply source for these trades. Construction tradespersons are most commonly employed on a sub-contract basis and a significant proportion of the labour force tends to be highly transient.

Skill shortages were present for the majority of construction trades assessed (carpenters and joiners, bricklayers, fibrous plasterers, floor finishers and plumbers and gasfitters) and the remaining assessed construction trades were considered to be experiencing at least recruitment difficulties (solid plasterers, wall and floor tilers and painters and decorators). Employers consistently reported strong demand and typically had a long run of scheduled work and needed to knock back surplus work. The

Housing Industry Association forecast the total construction value of work done in 2007/08 to increase by 35 per cent for the NT. As a result demand for construction tradespersons is expected to increase further with skill shortages remaining prevalent in 2008.

Food trades

Demand for food trades is largely determined by the level of activity in food retailing and the hospitality and 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 two years, increasing by 29 per cent from November 2005 to November 2007 (note; as well as growth in demand, inflation is expected to have contributed significantly to this increase). Although retail turnover for the hospitality and service industries in the NT grew strongly from 2004, it peaked in 2006 and declined during 2007 falling back to 2005 levels. DEEWR's skilled vacancy index data shows vacancies advertised for the food trades also peaked in 2006.

ABS Census data indicates that there has been little change in the overall level of employment in the food trades from 2001 to 2006. A decline in the number of chefs was compensated by an increase in the number of cooks. While the number of butchers and bakers employed declined marginally.

The food trades assessed for the NT (Chefs/cooks, bakers and pastry chefs) were all considered to be in shortage. The number of apprentices training in the food trades area has been volatile in the NT. The number in training has increased, however, the number of completions has declined due to increased cancellations with the apprenticeship completion rate dropping 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 Trades

Of the other trades and related workers occupations, hairdressers and cabinetmakers were assessed for the NT in 2007 and both were considered to be in shortage.

The number of hairdressers employed in the NT has grown at a much slower rate per annum than the NT population (0.4 compared to 1.5 per cent) over the 10 years to 2006. As a result the ratio of hairdressers per head has declined. Employers tend to be unable to meet demand as they struggle to increase their workforce. A key cause is the high level of skills wastage for the trade at both the qualified and apprentice level.

Demand for cabinetmakers has increased in recent years with increased building activity in the NT. However, the number of cabinetmakers employed in the NT declined from 2001 to 2006. A lack of supply of cabinetmakers has resulted in vacancies remaining open for extended periods and cabinetmaking work being knocked back.