



SUBMISSION

South Australian Skills in Demand

13 April 2018

1. Contents

- 1. Contents2
- 2. About Us.....3
- 3. Industry Consultation.....5
- 4. Executive Summary7
- 5. Key Recommendations8
- 6. SA Automotive Skills Shortages9
- 7. Causes of automotive skills shortages 11
 - Workforce Attrition..... 11
 - Declining Levels of New Entrants..... 13
 - Declining Quality of New Entrants..... 15
- 8. Next Steps..... 15
- 9. Submission Contact 15

2. About Us

The Motor Trade Association of South Australia is the only employer organisation representing the interests of the automotive retail, service and repair businesses in the state.

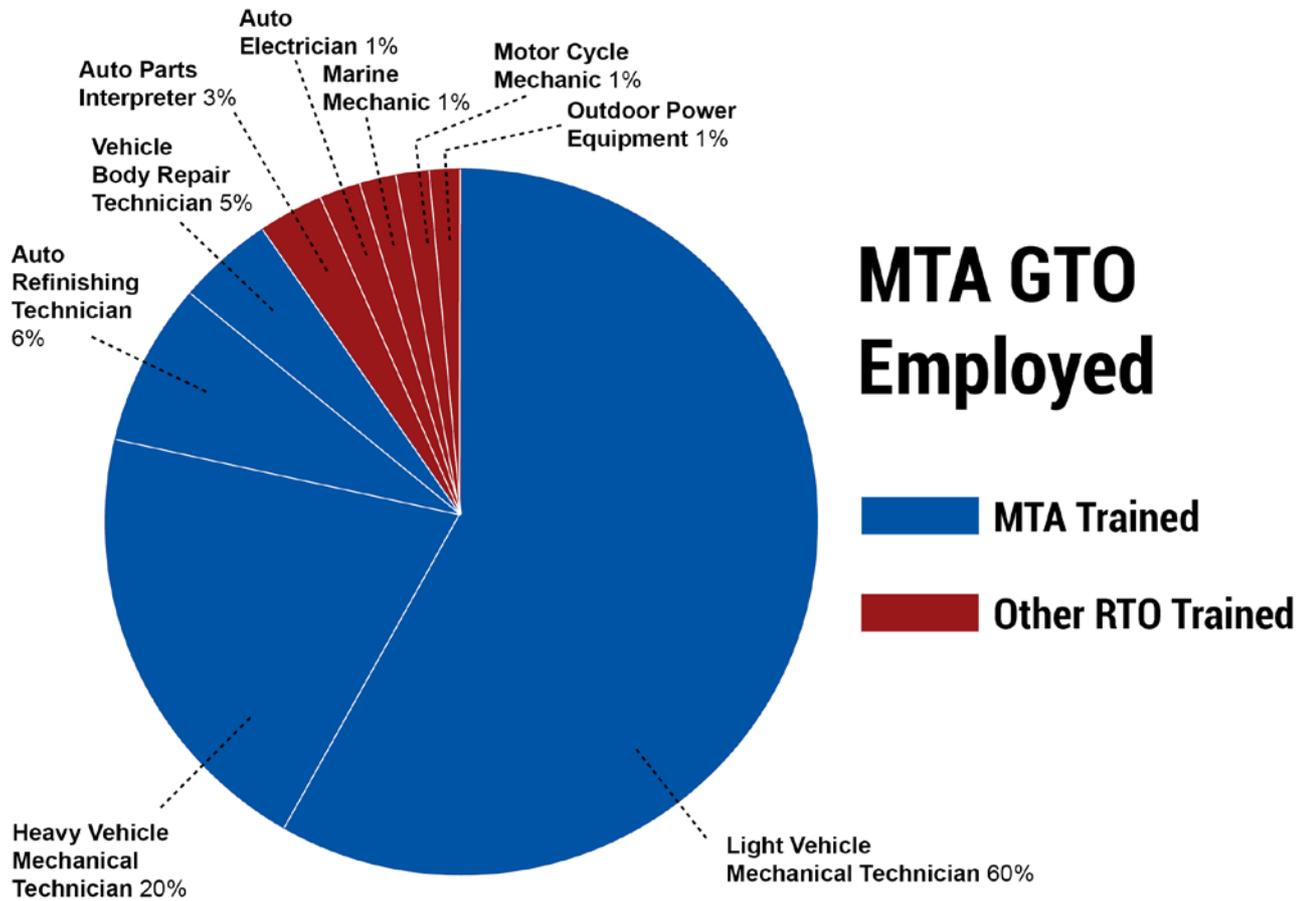
MTA Automotive Training and Employment services are the provider of choice for the industry and are comprised of both our Registered Training and Group Training Organisations.



DIVISIONS



The MTA is also a combined Group Training and Registered Training Organisation employing over 500 automotive apprentices as well as providing industry apprentice training and upskilling.



3. Industry Consultation

This submission summarises the views of the MTA's members. In developing this submission, the MTA has consulted with members across all of its divisions.

4. Executive Summary

The South Australian economy is facing a growing skills shortage.

The automotive sector, notwithstanding the end of automotive manufacturing, continues to be a significant employer in South Australia, with over 28,000 people employed in the automotive trades.

The ageing of the South Australian workforce, which is currently the second oldest in Australia, the decline in commencements for skills training, and competition from other industries pose a significant risk for the continued growth and productivity of the South Australian automotive workforce.

The use of the State Nominated Occupation List (SNOL) should be viewed as a means of bridging the skills gap until the underlying factors skills shortage can be addressed in the longer term.

The MTA has recommended 12 occupations which are currently experiencing skills shortages for inclusion in the SNOL to address the current skills shortage of 1,635 places in South Australia.¹

We have further recommended that transmission specialists, who are not captured by current environment scans, be included in this list as well.

Failure to provide a job ready or nearly job ready skilled workforce that has the foundational skills required to fill these shortages will lead to business closures and the loss of these small businesses forever.

The MTA submits that skilled migrant workers should be assessed through industry bodies with training capacity to ensure they meet AQF standards of competency in their given fields and do not displace competent skilled Australian labour from the workforce.

Skilled migrants must be able to read and speak English, enabling them to correctly identify vehicle faults and to use diagnostic and repair manuals for vehicles at a minimum. They must also be verified to have adequate skills to enable them to meet Australian competency standards or require minimal upskilling in order to achieve those standards, including cultural understanding of the retail automotive trades.

Over the medium term, governments at both State and Federal levels must address the fall in commencements for apprenticeships and traineeships by providing greater levels of assistance for training providers and employers so they can successfully identify and employ students who wish to undertake a career in the automotive trades.

¹ Directions in Australia's Automotive Industry 2017

5. Key Recommendations

The MTA proposes the following trades be included in the State Nominated Occupation List:

320000	Automotive and Engineering Trades Workers
321000	Automotive Electricians and Mechanics
321111	Automotive Electrician
321200	Motor Mechanics
321211	Motor Mechanic (General)
321212	Diesel Motor Mechanic
321213	Motorcycle Mechanic
321214	Small Engine Mechanic
324200	Vehicle Body Builders and Trimmers
324211	Vehicle Body Builder
324212	Vehicle Trimmer
324311	Vehicle Painter

Members have also indicated that Transmission Rebuilders/Specialists be placed on the National Skills Shortage List. Data on this trade is currently unavailable.

They have indicated surveys and reports seeking statistical data on skills shortages do not include questions regarding transmission specialists and therefore incorrectly assume that there is no shortage in that area.

As approximately 95 per cent of vehicles on the road in Australia are currently automatics, there is a strong unfilled demand for expertise in this area across Australia.

6. SA Automotive Skills Shortages

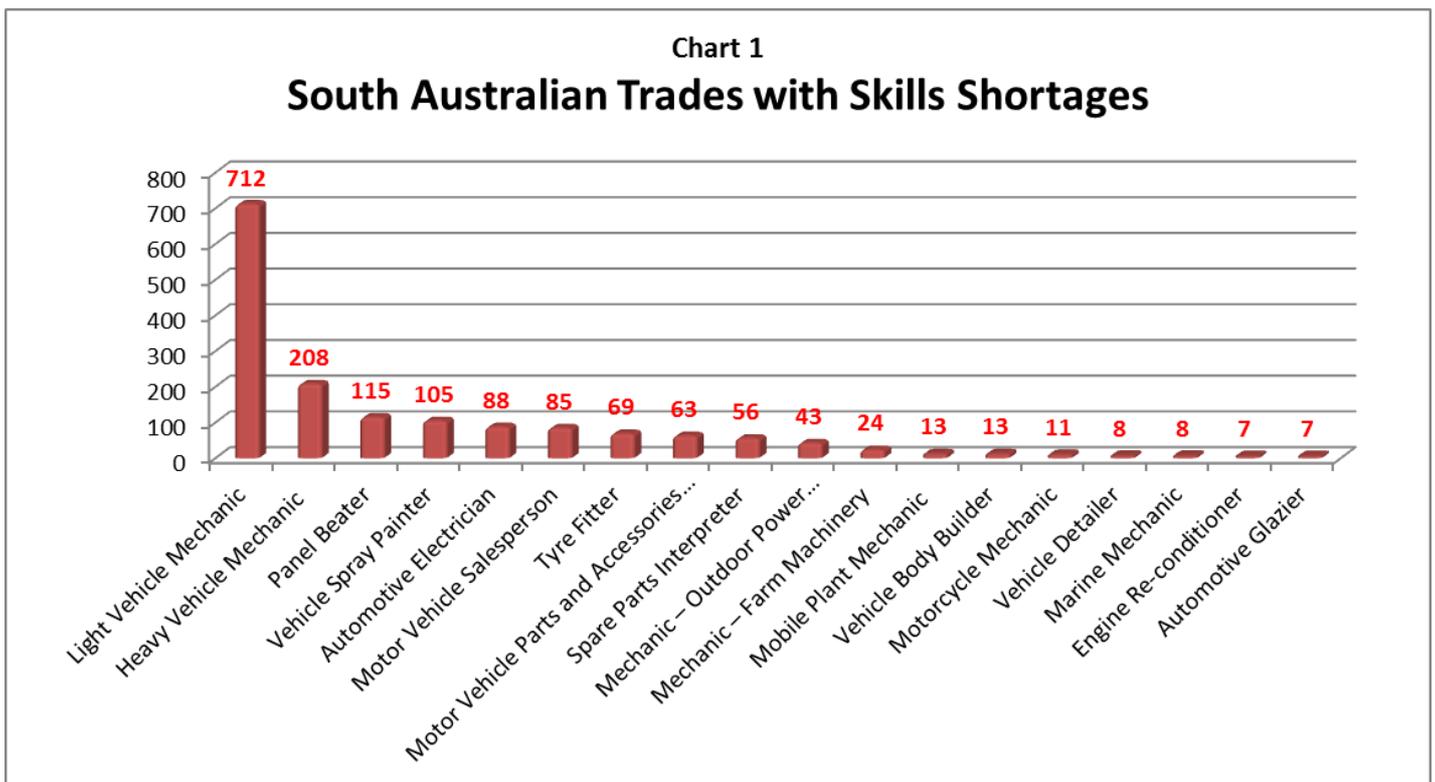
In 2016-17, the MTA partnered with its interstate counterparts to develop a national automotive industry environmental scan, *Directions in Australia's Automotive Industry 2017*.

The report found that the national skills shortage in the automotive trades is at its highest ever level at 27,377. This is approximately 7.7 per cent of the total automotive workforce.²

It is forecast that the shortage will peak in 2018 at 35,083, with a further 7,706 shortages before settling in 2019 at 31,202. This figure is still 1 per cent higher than the current record skills shortage level.

The environmental scan also demonstrates that 47 per cent of South Australian automotive employers are currently experiencing a skills shortage within their business, and 58 per cent expect this skills shortage to intensify over the next 12 months.

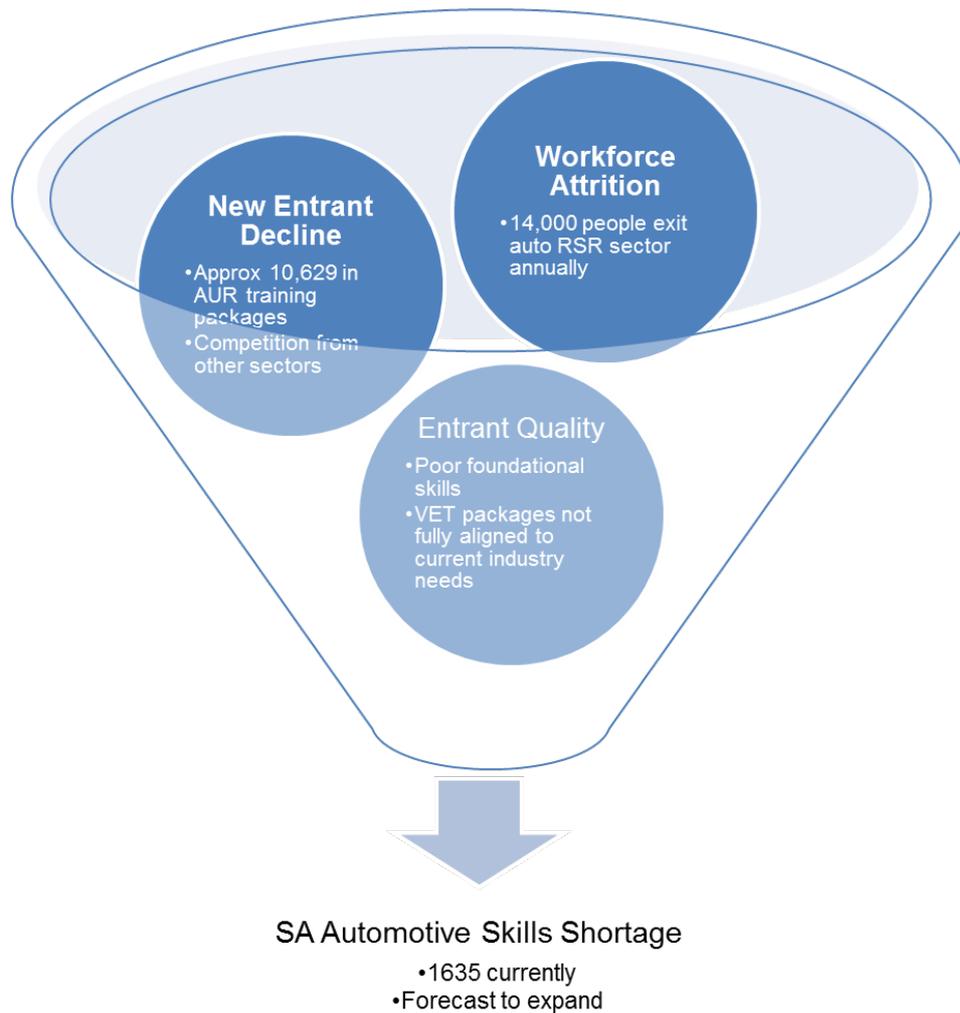
Chart 1 and Table 1, both below, detail the extent of the current South Australian shortages in each automotive trade.



² Directions in Australia's Automotive Industry 2017

Table 1	
Occupation	Estimated Shortage
Light Vehicle Mechanic	712
Heavy Vehicle Mechanic	208
Panel Beater	115
Vehicle Spray Painter	105
Automotive Electrician	88
Motor Vehicle Salesperson	85
Tyre Fitter	69
Motor Vehicle Parts and Accessories Salesperson	63
Spare Parts Interpreter	56
Mechanic – Outdoor Power Equipment	43
Mechanic – Farm Machinery	24
Mobile Plant Mechanic	13
Vehicle Body Builder	13
Motorcycle Mechanic	11
Vehicle Detailer	8
Marine Mechanic	8
Engine Re-conditioner	7
Automotive Glazier	7
Total	1635

7. Causes of automotive skills shortages



Workforce Attrition

The South Australian workforce continues to age as the baby boomer cohort moves into retirement. The automotive sector will be affected by this demographic change as much any other industry.

Data from the Australian Bureau of Statistics clearly articulates the problem, with the number of people in South Australia aged over 65 projected to have grown by 37% from 2006 to 2016. Over the next ten years to 2016, the proportion of South Australians' over 65 will have grown by 74%.³

This means that there will be almost 110,000 people who move from the workforce (where they add to tax revenues) to retirement (where they will draw down on tax revenues).

³ 3222.0 *Population Projections, Australia*, Australian Bureau of Statistics, 2008.

The University of Adelaide has explored the potential impacts of this and found the following:⁴

“Population and workforce ageing are more pronounced in South Australia than in most other States. At the time of the 2006 Census South Australia had the second oldest workforce of all States and Territories with 15.8% or 109,020 persons aged 55 and over (ABS: 2006). Only Tasmania has a higher proportion of people aged over 55 than South Australia.”

*“The net result of population ageing is expected to result in the median age of South Australians rising from 37.6 years in 2001 to between 42 and 45 years by 2031 (Planning SA: 2007). **It is projected that there will be a loss (and therefore a need for replacement) of one third of the State’s workforce over the next two decades as the baby boomers retire...**”*

“Current trends in labour supply suggest that South Australia could have insufficient workers to meet the potential demand within just a few years from now, in the absence of major policy interventions.”

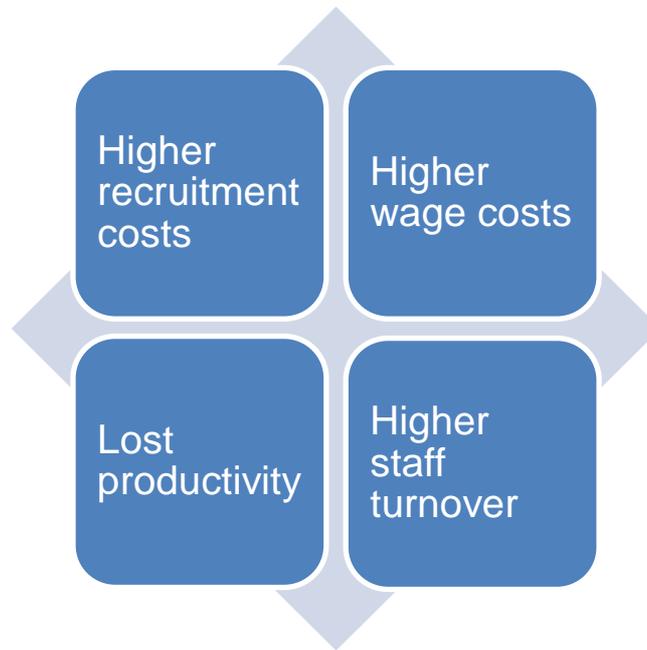
“The number of net job openings from replacement demand is likely to be in the order of 206,000 – significantly more than estimated through growth in the economy.”

Similarly, the *Directions in Australia’s Automotive Industry 2017* report found that 14,000 automotive tradespeople exit the industry each year.

The shortage of skilled automotive workers has four principle effects on businesses:

- Higher recruitment costs to identify qualified staff
- Higher wage costs in order to retain staff without commensurate increases in workplace productivity
- Lost productivity as task completion is delayed due to worker shortages
- Higher staff turnover as existing staff burn out

⁴ *Exploring the Impact of an Ageing Workforce on the South Australian Workers’ Compensation Scheme*, The Australian Institute for Social Research, The University of Adelaide, July 2008.



Declining Levels of New Entrants

The *Directions in Australia's Automotive Industry 2017* report highlights the declining number of new entrants into the automotive trades.

Apprenticeships and traineeships are the major source of new labour to the automotive workforce. Throughout Australia, the numbers of new apprentices and trainees have been steadily declining since 2011. South Australia has been particularly affected by this decline.

The National Centre for Vocational Education Research recently released the September quarter update for the period 2013 to 2017.⁵

This data demonstrates the long term decline in the number of apprentices entering the VET system in the automotive trades:

⁵ *Apprentices and trainees 2017: September quarter – Australia*, NCVET, March 2018

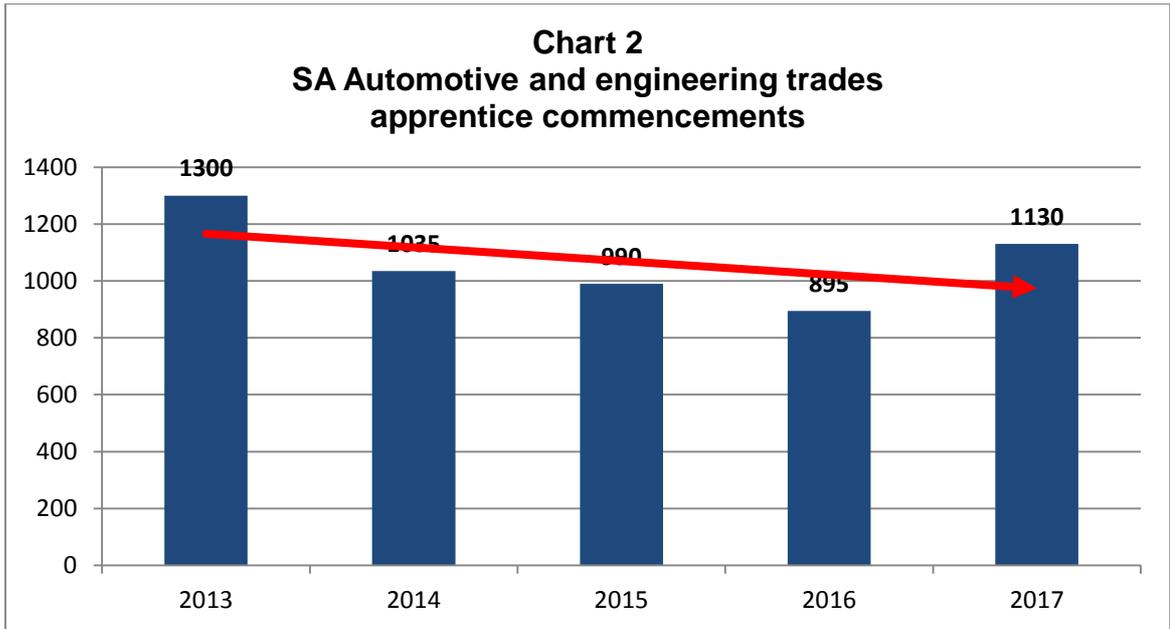
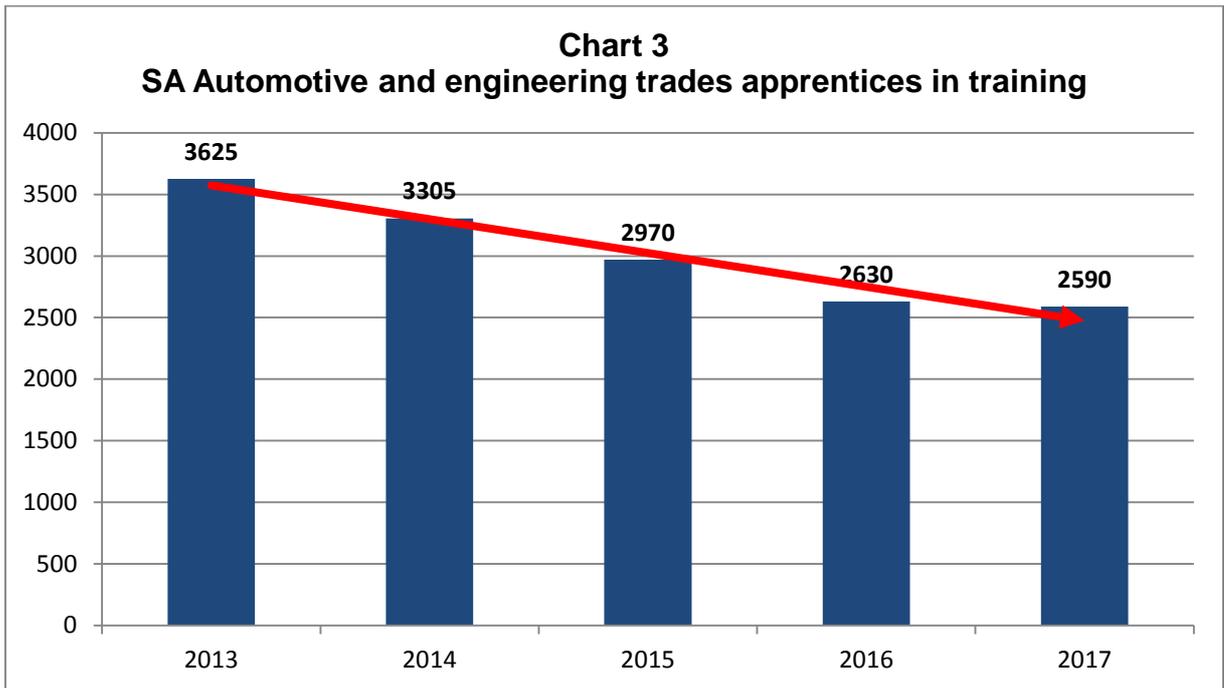


Chart 3 highlights the impact this reduction in commencements is having through the training pipeline:



As a result of this decline, the number of new entrants coming to the automotive workforce is lower than the number exiting, increasing the skills shortage being experienced. Cyclical industries such as mining and shipbuilding offer significantly higher wages for indeterminate lengths of time which makes those trades more attractive to prospective workers in the short term.

Declining Quality of New Entrants

The *Directions in Australia's Automotive Industry 2017* report highlights the complexity of recruiting new entrants who have the foundational skills relating to language, literacy and numeracy to be able to successfully undertake an automotive apprenticeship.

Employers also identified that work ethic and apprentice understanding of the technical aspects of their trade has been consistently poor. This can be viewed as a consequence of the declining talent pool of new entrants coming into the automotive trades.

8. Next Steps

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

9. Submission Contact

For further information relating to this submission please contact:

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