



SUBMISSION

South Australia's State nominated skilled migration program

12 June 2019

1. Contents

- 1. Contents2**
- 2. Executive Summary3**
- 3. Key Recommendations5**
- 4. Current skill shortages in the local automotive industry6**
- 5. Principal factors impacting skill shortages8**
- 6. Contributing factors to skills shortage12**
- 7. Next Steps13**
- 8. About Us14**
- 9. Submission Contact16**

2. Executive Summary

The ongoing skills shortage in South Australia's automotive industry continues to pose one of the most significant operational risks for the nearly 5,000 business who rely upon skilled automotive technicians to function.

Recent significant investments in training and skills by both the State and Commonwealth Governments, aimed at increasing the number of qualified tradespeople available to industry, provide a longer term solution to reducing the shortage.

It is unlikely that, even with this new investment, the apprenticeship system alone will be able to meet the current projected demand for skilled labour in the automotive sector.

Preliminary forecasts by the Victorian Automotive Chamber of Commerce Research Unit indicate that the skills shortage will increase from the current estimate of 1,635 to more than 2,900 within four years.¹

This projection does not account for the vast numbers of employees that are already being absorbed into the mining, defence and disability care sectors. These sectors are all increasing operational staffing requirements, with peak employment expected to occur from 2024 through to 2028.

It is now time to consider the skilled migration system as an ongoing management tool of industry's workforce needs, rather than as a bridging mechanism between the current shortage and a future state where apprenticeships meet labour demand.

We consider that there is an opportunity to utilise both skilled migration and apprenticeships to reduce the skills shortage, briefly addressed in this submission and are happy to discuss further with government.

The emphasis on maintaining skilled labour in industry reflects the need to retain key skills sets. It is concerning that the largest age cohort of the workforce is likely to transition into retirement within the next five years,² at a time when South Australian automotive apprenticeship commencements remain 35 percent below 2014 levels.³

This risks creating a practical knowledge gap within industry, where an apprentice's essential skills are unable to be fully developed by experienced tradespeople in industry.

¹ Projection undertaken by the Victorian Automotive Chamber of Commerce Research Department, which produces the Automotive Industry Environmental Scan, Automotive Directions, 2019.

² *Australian Bureau of Statistics, Census of Population and Housing, 2011 and 2016* (Usual residence data). Compiled and presented in profile.id by .id, the population experts.

³ *Apprentices and trainees 2018 - December quarter*, National Centre for Vocational Education Research.

Skilled migrants will provide a conduit for future workforce development, in addition to the immediate benefit in fulfilling an employment need in industry.

We recognise that industry policy, particularly in relation to defence and mining, is structurally realigning workforce development patterns. This is presenting a variety of challenges and opportunities must be addressed.

We also remain concerned in relation to previously identified issues that continue to impact upon the skilled migration system's efficacy, particularly for the South Australian automotive industry.

Wage disparity between metropolitan and regional businesses continue to exacerbate skill shortages in particular regional areas, skills assessments are delivering inconsistent quality in terms of trade skills, and English language proficiency does not appear to have the flexibility required for the diversity of staffing requirements facing the automotive industry, which has workshop as well as customer facing staffing needs. These issues must be resolved in order to minimise business costs and generate confidence in the skilled migration system.

The MTA has made recommendations which seek to maintain the position of all currently listed automotive trades on the State Nominated Occupations List, and to include automotive parts interpreter, transmission specialist and tyre fitter on the list, understanding ANZSCO recognition is required for this to occur.

3. Key Recommendations

The Motor Trade Association of South Australia recommends the following in relation to the State nominated skilled migration program:

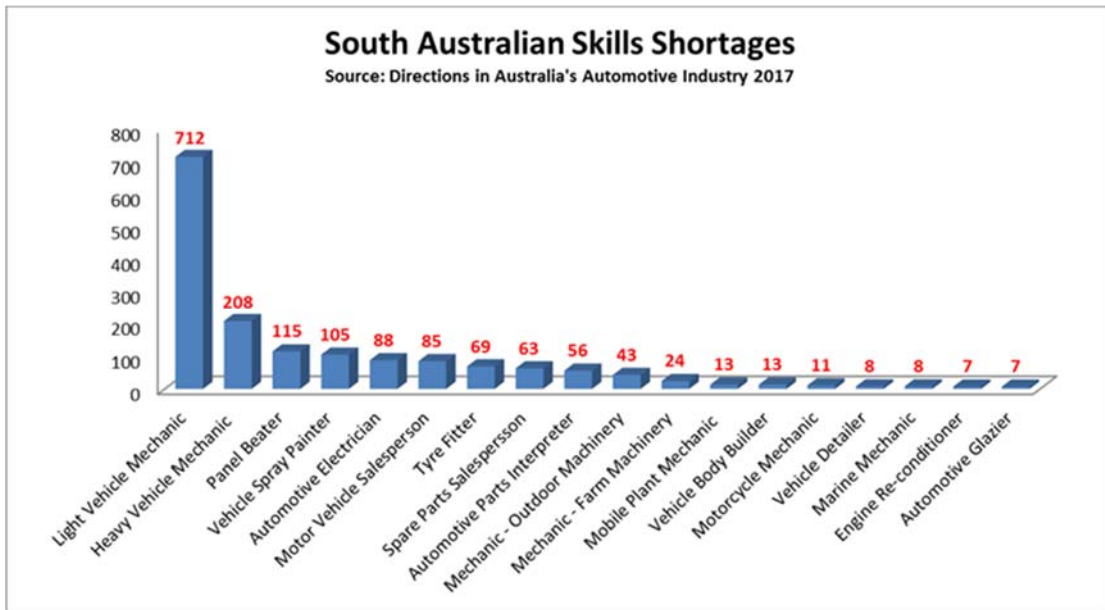
1. The occupations currently listed for nomination that should remain are:

ANZSCO	Occupation
321111	Automotive Technician
321211	Motor Mechanic (General)
321212	Diesel Motor Mechanic
321213	Motorcycle Mechanic
321214	Small Engine Mechanic
324111	Panel Beater
324211	Vehicle Body Builder
324212	Vehicle Trimmer
324311	Vehicle Painter
320000	Automotive and Engineering Trades Worker
321000	Automotive Electricians and Mechanics
399111	Boat Builder and Repairer

2. The following list of occupations should be assigned an ANSZCO code and added to the State nominated list:

Occupation
Automotive Parts Interpreter
Vehicle Transmission Specialist
Tyre Fitter

4. Current skill shortages in the local automotive industry



Our recommendations in relation to occupations listed for nomination by South Australia for Commonwealth Visa's reflect the data sourced from the automotive industry environmental scan, *Direction in Australia's Automotive Industry 2017*.⁴

The e-scan indicates that South Australia continues to experience ongoing shortages of suitably qualified skilled labour. The extent of the shortage has been calculated to be approximately 1,635 across all automotive trades as of 2017. However, anecdotal evidence suggest that the shortage has increased.

Automotive workshops across South Australia have consistently reported to MTA staff that they are desperately seeking skilled labour, but remain unable to find a suitable person, even after several months of advertising. This is supported by further reports of workshop and business owners increasing their own personal work hours to meet customer demand.

⁴ Directions in Australia's Automotive Industry 2017

Preliminary SA Skills Shortage Projections 2018/19 – 2023/24						
Occupation	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Light vehicle mechanic	773	794	827	863	895	921
Heavy Vehicle Mechanic	230	245	286	299	324	351
Panel Beater	160	185	207	224	286	290
Vehicle Spray Painter	150	170	184	202	240	267
Automotive Electrician	100	110	118	127	135	146
Mechanic Farm Machinery	42	49	52	68	71	78
Mobile Plant Mechanic	18	22	27	34	39	45
Motorcycle Mechanic	15	18	22	27	30	35
Vehicle Detailer	12	15	25	27	33	34
Engine Reconditioner	10	12	13	18	22	24
Automotive Glazier	10	12	12	15	18	20
Motor Vehicle Salesperson	100	108	115	127	133	148
Tyre Fitter	82	91	99	110	127	131
Motor Vehicle Parts Accessories Salesperson	78	85	98	108	115	125
Spare Parts Interpreter	73	84	97	102	115	129
Mechanic-Outdoor Power Equipment	52	58	65	79	86	100
Vehicle Body builder	20	25	30	37	42	50
Marine Mechanic	15	19	25	33	38	42
TOTAL	1940	2102	2302	2500	2749	2936

The Victorian Automotive Chamber of Commerce Research Unit, which undertakes an industry e-scan on behalf of a number of State based Motor Trade Associations, has developed preliminary projections of skills shortages over a five year horizon.

These early projections are consistent with the long term trend of increasing skills shortages, as well as anecdotal evidence of increases. The projections indicate that the overall industry shortage in South Australia will effectively double in the next five years.

Therefore, it is essential that all occupations listed currently for State nomination remain on the State Nominated Occupations List.

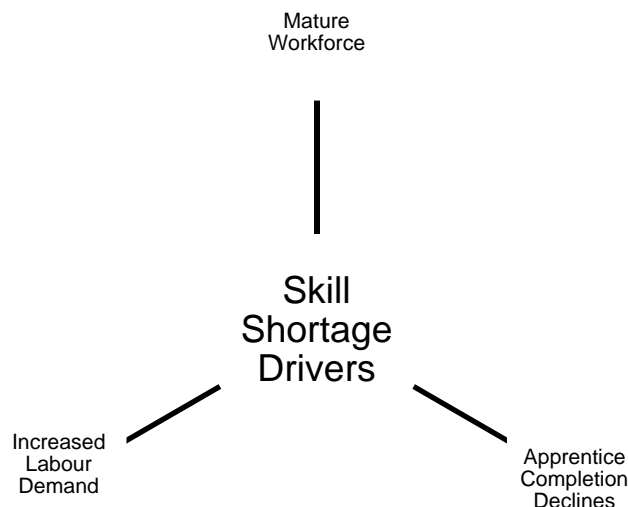
In addition, we propose that three occupations not currently listed should be included. These are:

- Automotive Parts Interpreter
- Vehicle Transmission Specialist
- Tyre Fitter

We accept that their inclusion requires ANZSCO recognition and we seek to work with the State Government to achieve this outcome.

5. Principal factors impacting skill shortages

There are three principle factors driving the skills shortage, and a number of others factors that create some level of variation between location, or accelerate an existing trend.



Workforce Maturity

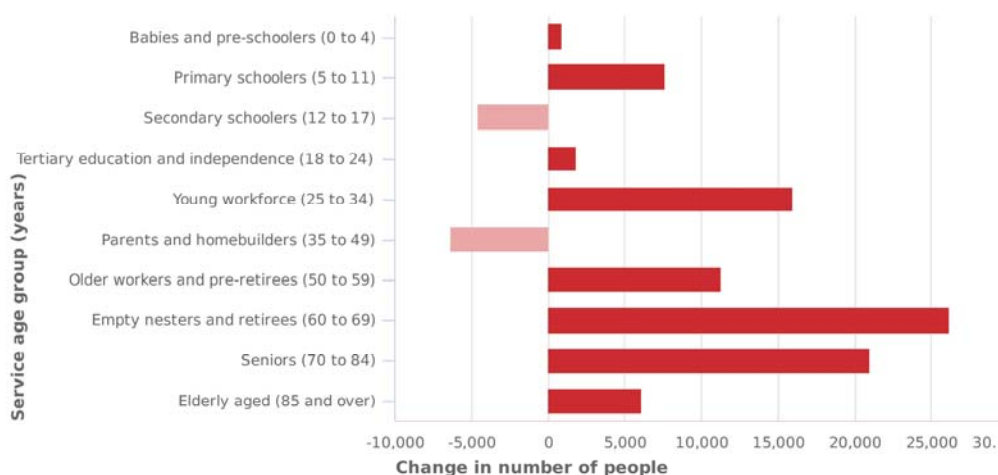
South Australia's ageing population is reflected in the relative age of the State's automotive workforce. While this presents challenges across many industries, the automotive industry is particularly sensitive due to the national automotive skills shortage,⁵ which is forecast to reach 31,202 positions in 2019. In addition there are major shortages in international sources such as

⁵ Directions in Australia's Automotive Industry 2017

the UK⁶ and US.⁷ These global shortages translate into limited options for the sourcing of labour.

This places a greater burden on skilled migration to stabilise the rate of loss of workers from the industry and potentially to reduce the shortage of skilled labour in conjunction with increases to automotive apprentice completion rates, which are discussed further on in in this submission.

Change in age structure - service age groups, 2011 to 2016
South Australia - Total persons



Source: Australian Bureau of Statistics, Census of Population and Housing, 2011 and 2016 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.



The 2016 Australian Census data succinctly illustrates the issue of workforce maturity. The proportional increase of workers aged 50 or more is greater than the number of new workers entering the workforce.⁸

Particularly concerning is the relatively large increase in the 60 year old and over demographic, as this is both the group that is most likely to retire in the next five years, and has been experiencing the strongest growth over the previous five years. This is in the context where there has not been the same level of increase in younger working age people, and critically, the key demographics of high school leavers and homebuilders/parents, have declined.

This is supported by the findings of an Adelaide University study in 2008 into the workforce implications of an ageing population in South Australia. It found that nearly a third of the workforce will need to be replaced as baby boomers retire.⁹

⁶ Beyond the Big Leave: The Future of U.S. Automotive Human Resources, Centre for Automotive Research, Kristin Dzikczek, 2008.

⁷ *Ibid.*

⁸ Australian Bureau of Statistics, Census of Population and Housing, 2011 and 2016 (Usual residence data). Compiled and presented in profile.id by .id, the population experts.

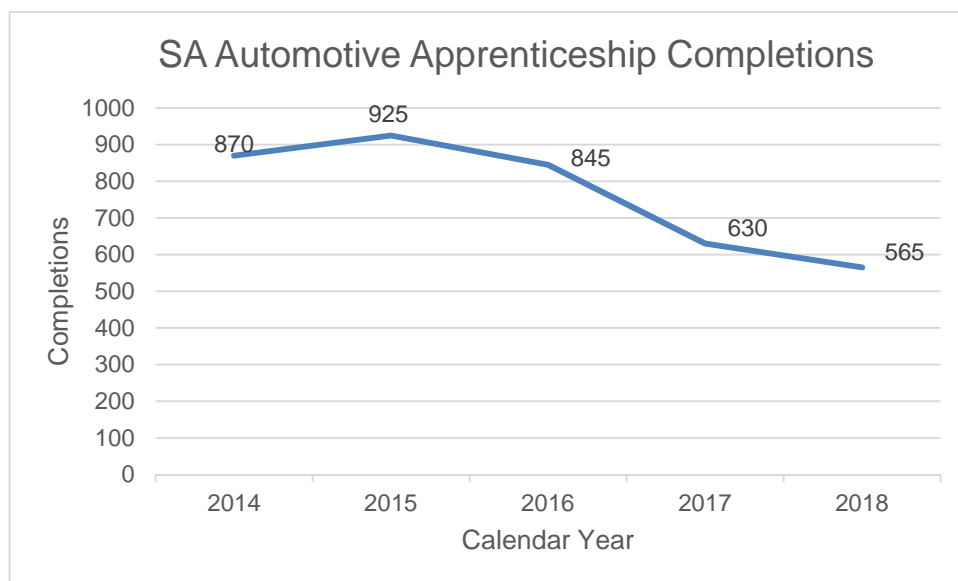
⁹ *Exploring the Impact of an Ageing Workforce on the South Australian Workers' Compensation Scheme*, The Australian Institute for Social Research, The University of Adelaide, July 2008

We have previously stated that the South Australian Skilled Migration Program should be viewed as a bridging mechanism to a point in the future where apprenticeship levels are sufficient to meet skilled labour demand.

It is clear that the workforce demands of the defence, mining and disability care sectors are already having significant effects upon the availability of apprentice and qualified automotive technicians, as businesses report losing apprentices and staff particularly to mining and defence. This is discussed in detail further on in this submission.

We recognise that this high labour demand will continue for the foreseeable future and greatly intensify the existing level of shortage in the automotive industry. Accordingly, the MTA now believes that a coordinated skilled migration system will play an essential role in the sourcing of workers. As such, we believe that the State Government should investigate opportunities to leverage both the migration system and the apprenticeship system to incentivise a managed increase in workforce participation through both labour sources. This may include offsets in Visa costs or processing time if skilled migration is linked to apprenticeships.

Apprenticeship Completion Declines



Automotive apprenticeship completion rates in South Australia have fallen by more than 35 percent since 2014.¹⁰

This is the result of two interconnected trends. Firstly, the defence, mining and disability sector's demand for skilled workers and willingness to offer premium wages and salaries has drawn many people away from the traditional trades, including automotive, which cannot match those industries for wages and conditions.

¹⁰ *Apprentices and trainees 2018 - December quarter*, National Centre for Vocational Education Research.

A consequence of this labour market distortion is that the number of people entering an automotive apprenticeship has declined markedly, with increasingly poor quality applications from people who would not have preciously been considered for interview.

Our experience as the largest employer of automotive apprentices in South Australia, as well as feedback from industry employers we engage with, is that applicant proficiency in language, literacy and numeracy is generally poor, with many applicants requiring remedial bridging courses. In addition, applicant attitudes regarding work ethic, preparation and punctuality have been steadily declining as has applicant familiarity with the automotive industry, tools, and technical concepts.

These qualitative trends indicate that the apprenticeship system alone will be unable to meet future labour needs.

Increased Labour Demand

The defence, mining and disability care sectors workforce requirements over the next ten years will place traditional trades under extraordinary pressure to source, train and retain qualified labour.

During this period, the most flexible mechanism to provide short term access to qualified labour will be the skilled migration system, including the State Nominated Occupations List. This will facilitate rapid adjustments in the availability of skilled labour, which will be essential in complementing any increase in the apprenticeship pipeline over the medium term.

The *South Australian Future Mining Workforce Report: A study of the growth of minerals employment between 2014-2030*¹¹ forecasts a demand for more than 27,000 worker in the reporting period, peaking in 2028.

Similarly, *Australian Disability Workforce Report*¹² reports that the disability care sector is experiencing exceptionally high demand for new employees, which job growth in that sector increasing at a rate of 11 percent, compared to 1.6 percent for the total Australian workforce.

The defence manufacturing sector, which will require over 5,000 jobs to be filled and is due to peak in the mid 2020's¹³, is emerging as potentially the most disruptive of the new growth industries, due to its unique security requirements.

These stipulate that only Australian citizens can be employed in these construction projects. This places a disproportionate demand upon other

¹¹ *South Australian Future Mining Workforce Report 2014–2030*, Resources and Engineering Skills Alliance, 2013.

¹² *Australian Disability Workforce Report*, National Disability Service, 2018.

¹³ *Skilling Australia's shipbuilding workforce*, The Hon Christopher Pyne MP, Minister for Defence Industry, Wednesday 18 April 2018

industries, who are now have little choice but to turn to the migration system if they are to remain sustainable.

6. Contributing factors to skills shortage

The three factors described above are structurally significant for the South Australian economy. However, a number of secondary factors exacerbate the skills shortage in specific regions or have a bearing on the efficacy of the migration system.

The MTA provides its comments on these factors below.

Regional/Locality factors

Whilst empirical research is unavailable, we have anecdotal reports of regional locations experiencing severe shortages and relying heavily on skilled migration to fill positions. This is driven by lifestyle factors, and importantly, a metropolitan businesses' ability to sustain higher wages, which regional business have only a limited capacity to do due to the thin markets in which they operate.

Suitability of migration as a source of labour

Whilst there are always examples of individuals who act or perform poorly, MTA members have indicated that they are generally satisfied with the outcomes of the skilled migration system/

However, issues have arisen where migrants are sourced outside of the traditional European sources.

Determining the equivalence of overseas trade qualification is difficult when dealing with diverse cultural backgrounds, particularly during the interview stage. Members noted that even after completing the required skilled assessments, some 'qualified' workers did not appear to have the skills and knowledge expected of someone trade qualified. Some MTA members have observed that this appears to be the result of a combination of poor selection processes, cultural and product differences that require a period of acclimatisation, and in some instances, misrepresentation of the qualifications of migrants by migration agents, as well as some migrants themselves.

The MTA considers that the skills assessments should be performed in the country of origin by an Australian Government recognised assessor, rather than the current onshore assessments. This would considerably reduce the financial risk borne by businesses who pay for flights, accommodation and other cost associated with the migration process.

Skills deficiencies add to the already burdensome costs involved in sourcing skilled migrants, which the MTA has calculated as being as high as \$50,000

per applicant, with up to two year waiting periods for Visa approvals. We have recommended, in a submission to the Senate Legal & Constitutional Affairs Committee Inquiry, that action be taken by the Commonwealth to reduce both the time and cost of utilising skilled migrants and, in particular, the Visa application process.

In addition, members felt that trade qualified workers needed to have spent some time in industry before being eligible for the skilled migrant program. Feedback indicated that the current requirements for a skilled migrant, a Certificate III qualification including at least two years of on-the-job training, or Certificate IV (ANZSCO Skill Level 3), satisfied industry requirements.

English Language Levels

Members expressed views on the acceptable level of English language competency reflective of the role that skilled migrants play in their business.

Businesses who have relatively small staffs with a high degree of customer interaction indicated that language proficiency, particularly verbal, was very important. Larger businesses, who have designated customer facing staff, primarily use skilled migrants in mechanical/workshop roles which generally utilise written language skills. These businesses found that the requirements were too onerous, and indicated that they believed there was some scope for flexibility based on the position requirements. Some members indicated that an International English Language Testing System score of 5.0 was more than sufficient for the purposes of fulfilling the duties of automotive technicians, as opposed to the current requirement of 6.5.

7. Next Steps

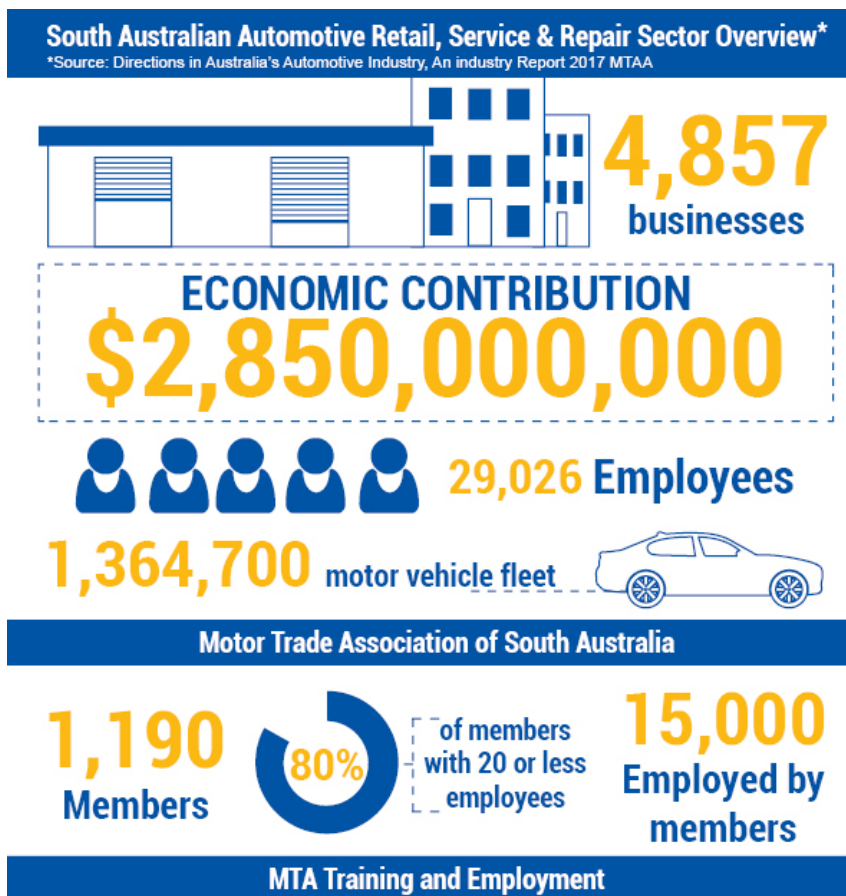
The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

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

8. About Us

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

The MTA Training and Employment Centre comprises of both our Registered Training and Group Training Organisations. It is the automotive industry's training provider of choice and is the largest employer of automotive apprentices in South Australia.



We currently have
over **800** apprentices
in training

We also directly employ
500 apprentices
through **240** host businesses

DIVISIONS



9. Submission Contact

For further information relating to this submission please contact:

Nathan Robinson
Industry Policy Specialist
[E: nrobinson@mtaofsa.com.au](mailto:nrobinson@mtaofsa.com.au)
M: 0418 829 918
P:08 8291 2000