

**Submission  
No 38**

## **SKILL SHORTAGES IN NSW**

**Organisation:** The Australian Industry Group  
**Name:** Mr Mark Goodsell  
**Date Received:** 12/07/2013



12 July 2013

The Committee Manager  
Legislative Assembly Committee on  
Economic Development  
NSW Parliament  
Parliament House  
Macquarie St  
Sydney NSW 2000

51 Walker Street  
North Sydney NSW 2060  
PO Box 289  
North Sydney NSW 2059  
Australia

ABN 76 369 958 788

Tele: +612 9466 5566  
Fax: +612 9466 5599  
[www.aigroup.com.au](http://www.aigroup.com.au)

### **Inquiry into skill shortages in NSW**

The Australian Industry Group (Ai Group) welcomes the opportunity to comment on the Legislative Assembly inquiry by the Economic Development Committee into skill shortages in NSW.

Ai Group is a member organisation representing the interests of more than 60,000 businesses across Australia in an expanding range of sectors that include: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses we represent employ more than one million people.

Ai Group members operate small, medium and large businesses across a range of industries in both the metropolitan and regional centres.

As a consequence, Ai Group's members represent a broad cross-section of industries and geographic locations across the NSW economy.

Ai Group is a strong supporter of workforce development and has been at the forefront of advocating policy as well as implementing innovative practices to assist its members to solve skill shortages. Improving Australia's productivity performance, innovation and leadership are the key economic challenges facing industry. This can only be achieved if employers have access to highly skilled workers, this should be through a combination of investment in skilled development and through skilled migration to assist industry to meet current skill shortages, as well as bringing high level skills into the economy to build Australia's, and the NSW economy's, skills base. A highly skill workforce is the key to our comparative advantage in the global economy.

In spite of some tightening in the manufacturing and construction sectors, Ai Group members continue to report skill shortages as a barrier to expansion, particularly for when the economy starts to pick up. There is a general fear that skill shortages will prevent businesses from being able to pick up work or expand production when the orders start to flow. In particular, the ICT sector is facing some major challenges relating to skill shortages, which will have severe implications for businesses as the national broadband network is rolled out and more and more businesses will be required to conduct business via the digital economy.

## Construction

Skill shortages continue to be an issue for the engineering and construction sector. In May 2013, the Australian Constructors Association reported that there had been a marked slowdown in the growth of non-residential construction work through 2013 and 2014.<sup>1</sup> The survey revealed that after growth of 11.3% in 2012, the rate of increase in the total value of engineering and commercial construction work is expected to almost halve to 6.3% pa in 2013 followed by an easing to 5.5% pa in 2014. This moderating growth outlook is due to supply constraints. Businesses are facing persistent difficulties in sourcing skilled labour and capital requirements. This is despite an easing in the pipeline of work, with large scale projects continuing to draw on skilled labour. During the six months to March 2013, 65.7% of businesses reported either a major or moderate difficulty in the recruitment of qualified labour. The sourcing of sub-contractors also poses problem with 43.8% of businesses reporting this as a supply constraint. The future prospects do not look any better, over the six months to September 2013, 71.9% of firms expect a major or moderate difficulty in the recruitment of skilled labour and 53.1% of firms expect difficulties in sourcing sub-contractors.

None of this augurs well for major infrastructure development in NSW. Skilled labour supply constraints may lead to a slow down on much needed engineering and commercial construction, including road construction, water and electricity projects and mining. Growth in transmission and telecommunications is likely to exacerbate the difficulties in sourcing of skilled people as a result of NBN and related investment.<sup>2</sup>

These shortages relate to a wide range of occupations, including professional engineers, draftspersons and technicians through to the trades. The NSW Department of Education and Communities has listed skill shortages for the construction sector in its Smart and Skilled consultations, citing the Federal Department of Employment, Education and Workplace Relations (DEEWR) as well as a list of the state nominated occupation list for skilled visas through NSW Trade and Investment.<sup>3</sup> This concurs with what Ai Group members are saying. Similarly the Industry Profile relating to professional, scientific and technical services listed the professional engineering occupations relating to construction as being in skill shortage.<sup>4</sup>

## Manufacturing

In spite of some contraction in the manufacturing sector, it remains a significant employer in NSW with 8.8 % of the workforce employed in the sector.<sup>5</sup> The latest Ai Group Performance of Manufacturing Index shows that there has been a minor improvement in the sector leading to some stabilisation after two years of continuous contraction, mostly due to a falling Australian dollar and last minute orders before the

---

<sup>1</sup> Australian Constructors Association, Construction Outlook, May 2013

<sup>2</sup> Ibid

<sup>3</sup> NSW Government (2013) pp13-15, Smart and Skilled: Industry Profile – Construction, [www.det.nsw.edu](http://www.det.nsw.edu)

<sup>4</sup> NSW Government (2013) pp16-18, Smart and Skilled: Industry Profile – Professional, Scientific and Technical Services, [www.det.nsw.edu](http://www.det.nsw.edu)

<sup>5</sup> NSW Government (2013) p 6, Smart and Skilled: Industry Profile – Manufacturing, [www.det.nsw.edu](http://www.det.nsw.edu)

end of June 2013.<sup>6</sup> Whilst manufacturing employment overall has declined since 2008,<sup>7</sup> employment levels have started to show some stabilisation.<sup>8</sup>

The main challenges facing the manufacturing sector is lifting productivity and increasing innovation. To do this the manufacturing sector requires a highly skilled workforce. In Ai Group's national CEO survey,<sup>9</sup> those manufacturers who indicated that labour productivity had improved listed the reason as being increased staff skills, capabilities, productivity and process improvements – all of which relate to developing the skills of the workforce. A highly skilled workforce will be the key to Australia's competitive advantage with the Asian economies. All indicators are that there remain skill shortages in the manufacturing sector, particularly for metal fitters and machinists and more significantly for those manufacturers who have lost highly skilled workers to the mining sector.<sup>10</sup> NSW Department of Trade and Investment has the metal trades, and professional engineers, listed on the nominated occupation list for skilled visas (190), including regional locations.<sup>11</sup> Ai Group supports this assessment.

## ICT

ICT will be the big growth sector for the future. Businesses that invest in new technologies are more likely to experience an improvement in their productivity and innovation. Currently, Australia's ICT sector forms 4.1% of the total workforce.<sup>12</sup> According to a report by the Australian Workforce and Productivity Agency (AWPA), the ICT workforce is projected to grow by 7.1% between 2012 and 2017.<sup>13</sup> Indeed, businesses anticipate that there will be new opportunities for collaboration, innovation and productivity gains from investment in new digital technologies and infrastructure.<sup>14</sup>

The recent ICT workforce study by AWPA states:

“The emergence of ICT provides opportunities and challenges for Australia. It is a vital enabler of productivity and innovation in our economy.”<sup>15</sup>

The rollout of the NBN infrastructure should provide an opportunity for businesses to work more effectively and improve productivity. However, an Ai Group survey of CEOs found that there are concerning gaps in the capability of SMEs, and some industry sectors, to take full advantage of first rate broadband infrastructure.<sup>16</sup>

The lack of suitably qualified ICT specialists, as well as broader digital literacy amongst the working population poses a significant barrier to expansion. For ICT

---

<sup>6</sup> Australian Industry Group, Performance of Manufacturing Index, June 2013

<sup>7</sup> ABS, Labour Force Australia, Detailed Quarterly, Cat. No. 6291.0.55.003 (trend data) 2012

<sup>8</sup> Australian Industry Group, Performance of Manufacturing Index, June 2013

<sup>9</sup> Australian Industry Group, National CEO Survey: Business prospects in 2013: Australia's gap year

<sup>10</sup> NSW Government (2013) p 18-21, Smart and Skilled: Industry Profile – Manufacturing, [www.det.nsw.edu](http://www.det.nsw.edu)

<sup>11</sup> Ibid, p21

<sup>12</sup> Australian Workforce and Productivity Agency, ICT workforce study, Meeting Australia's future ICT skill needs, July 2013

<sup>13</sup> Ibid

<sup>14</sup> Australian Industry Group, National CEO Survey, Ready or Not? Technology Investment and Productivity in Australian businesses, June 2013

<sup>15</sup> Australian Workforce and Productivity Agency, ICT workforce study, Meeting Australia's future ICT skill needs, July 2013


<sup>16</sup> Australian Industry Group, National CEO Survey, Ready or Not? Technology Investment and Productivity in Australian businesses, June 2013

professionals there is a heavy reliance on 457 visas as the supply from domestic sources is not matching demand. The AWPA report states that 457 visas for ICT professionals increased by 74% from 2009-10 to 2011-12, whilst domestic supply only increased by 4% for the same period.<sup>17</sup>

Ai Group has asked that there be a comprehensive workforce skills strategy for the digital economy defining key areas of workforce skills needs.<sup>18</sup> This should entail a strategy of skill development as well as skilled migration to fill the current shortfall.

## **Conclusion**

There are skill gaps and areas of need in particular industries, professions and regions across NSW. If the NSW economy wishes to position itself as a world class leader and place for investment in the global economy, it needs to ensure it has a world class industry sector. Addressing the skill shortages through increased investment in skill development and continued support for skilled migration to fill those gaps needs to be the primary driver. Increased productivity and innovation should flow from a highly skilled, flexible and mobile workforce that can meet the challenges of the future.

Should you wish to discuss this further please contact me on 

Yours sincerely



Mark Goodsell  
Director – NSW

---

<sup>17</sup> Australian Workforce and Productivity Agency, ICT workforce study, Meeting Australia's future ICT skill needs, July 2013

<sup>18</sup> Australian Industry Group, National CEO Survey, Ready or Not? Technology Investment and Productivity in Australian businesses, June 2013