**Submission No 66**

# INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW


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**Theme**:

**Summary**

**Submission to the standing committee on State Development for an Inquiry into Skills Shortages in Rural and Regional NSW.**

This submission is on behalf of the Orange Cabonne Blayney Industry and Skills Project. This Project is funded through the three Councils of Orange, Cabonne and Blayney in conjunction with the Department of State and Regional Development through the Central Western Regional Development Board Incorporated.

The intent of the Project is to address immediate skills and qualification shortages and to implement measures to ensure shortages do not occur in the future. The Project focus is the Metals Fabrication and Engineering Industries in the Cabonne, Orange and Blayney LGAs.

## (a) The current and future demand for labour.

During the initial phase of this Project a survey was conducted with 25 small to medium enterprises in the target industries responding. The survey gathered information on: current numbers of trades qualified people working in their respective trade; apprentices employed; current vacancies for tradespersons and apprentices; expected vacancies over the coming 12 months; projected growth over a 3, 5 and 10 year period.

Nearly all companies indicated a current shortage, with the few who did not have a current shortage indicating that they had only recently filled their vacant positions. Most companies expected to be facing a shortage for some time based on industry recruitment trends.

The results for the trades qualified positions within the sample group of the survey are set out below.

| Trade | Currently employed | Current vacancy | Expected Vacancy |
|---|---|---|---|
| Fitter | 57 | | 2 |
| Electrician | 16 | 1 | 1 |
| Boilermaker | 28 | 5 | 6 |
| Toolmaker | | 2 | 2 |
| Welder | 24 | 5 | 16 |
| Fabricator | 5 | 2 | |
| Spraypainter | | 1 | |
| Fitter/Machinist | 2 | 3 | |
| Machinist | 17 | 1 | 3 |
| Sheetmetal worker | 4 | | |
| Other | 6 | | |

The numbers of apprentices for the same sample group are:

| Apprenticeship | Trial | 1st yr | 2nd yr | 3rd yr | 4th yr | Vacancy |
|---|---|---|---|---|---|---|
| Fabrication | 2 | 10 | 9 | 9 | 4 | |
| Mechanical | 2 | 4 | 2 | 6 | 4 | 2 |

None of the companies surveyed indicated an expected decrease in staff numbers or business over the next 5 years. Companies who expected to remain the same size over

the coming 5 years (20% of respondents) said it was through choice not to grow. The 80% of companies who were expecting growth anticipate a growth rate of between 5%pa for larger companies and as high as 20%pa for smaller firms. Overall, the anticipated growth in numbers of trades qualified positions in the region is estimated to be between 10 – 12% per annum for the next 5 years.

### (b) The economic and social impact of the skills shortage

The shortage of tradespersons is retarding growth within the region. Companies who have the opportunity to take on additional work are unable to do so due to their reduced capacity to handle additional work. In addition, most companies are forced to employ staff overtime to complete jobs to compensate for a lack of available trades qualified and skilled workers.

Some of the negative economic and social impacts of the skills shortage within the region include:

- Some tradespersons are moving from company to company 'chasing higher wages' which has an inflationary effect on wages;
- Staff have little fear of losing their jobs or facing disciplinary procedures for issues such as not turning up to work without notice or turning up in an unfit state for work due to the shortage of skilled workers;
- Supervisors, managers and owners are being forced 'back on the tools' in a bid to compensate for a shortage of tradespersons, leading to other duties being completed after production times which in turn has a social impact on their lives;
- Tradespersons are completing large amounts of overtime which can often have a negative impact on their social and domestic lives, leading in turn to higher rates of absenteeism from work requiring more overtime to catch up on work;
- Poaching of staff through the lure of higher wages causes a vicious circle of poaching from other companies who can only afford to pay less;
- Companies reach a point where they can no longer afford to pay additional higher wages due to customers being unwilling to pay the additional cost attached to their product – this is particularly true in 'jobbing shops';
- A shortage of tradespersons increases the difficulties associated with employing apprentices as the apprentices must be supervised by a tradesperson. This arrangement takes a trades qualified and competent worker off-line to supervise a worker who is effectively non-productive within the first 12 months of their apprenticeship; and
- Higher wages lead to cost cutting in other areas, particularly capital investment.

### (c) The strategies and programs of local governments to retain and attract skilled workers including opportunities for strategies and programs in conjunction with non-government bodies such as regional business organisations and Area Consultative Committees and Regional Development Boards.

The Orange Cabonne Blayney Industry and Skills Project is a joint funded project between local government and the Central Western Regional Development Board. The Project follows on from previous work that has been funded through the three local government partners and the Area Consultative Committee.

The current Project has a steering committee to which the Project Manager reports. The steering committee comprises representatives from:

- Industry
- 3 local councils
- Central Western Regional Development Board (Chair)
- Dept State and Regional Development
- Department of Education and Training
- DET NAC
- TAFE
- Industry Capability Network
- Board members of Central West Group Apprentices
- Australian Industry Group representative

A short summary and progress of the strategies adopted by this project include:

Overcome immediate skills shortage

Recruitment strategies. Industry representative determination is to concentrate on the recruitment of migrants. Material has been developed and sent to companies experiencing shortages. Some companies currently reviewing potential migrant employee's resumes.

DIMIA Outposted Officer. Submission to host DIMIA outposted officer was submitted to DIMIA as part of the 10 positions nationally that were to be outposted. The request was declined but DIMIA did establish contact with offer of assistance through their Sydney Office.

Country Week. The Project Manager attended Country Week as part of the Cabonne and Orange stands. There were minimal numbers of enquiries from skilled workers in the metals fabrication and engineering sector.

Migrant Marketing material. Working on developing marketing material targeted at migrants prior to departure from home country.

Medium to long term strategies (Increasing uptake of apprenticeships and degrees)

Careers Advisers Meeting. The Project hosted the Careers Advisers Meeting on 10 June 2005. Industry representatives gave presentations as well as Project Manager. This is expected to be a pilot for ongoing careers advisers briefing arrangements from industry.

Re Engineering Australia. Have contacted school principals who have expressed an interest in participating in the Schools Innovation Design Challenge. Will be scheduling a time for meeting where Paul Bray, National Project Manager for REA will attend and brief schools on commitment and rewards.

Schools Engineering Science Challenge. Will be contacting Rotary Clubs in August to progress this program for 2006 implementation.

ZOOM. Have been promoting the use of the ZOOM range of careers information to schools and students.

Careers Expo. Careers Expo was held in Orange on 27-28 July 2005. This Project facilitated a stand on behalf of industry. The highlight of the expo was a display from an apprentice metal machinist who operated a lathe on-site.

Teachers in Business. Investigating options with DET and Industry reps for teachers to undergo the 4 day program to place teachers in working environment. This will give teachers a feel for current industry technology and career structures.

Adopt a school. Looking at feasibility of having industry participation in the Adopt a School program. Hope to have 2 to 3 companies per school.

BMO Workplace Committee. Have a close working relationship with the coordinator. Referral to organisations for placement opportunities. Have attended a steering committee meeting as a committee member.

World Trade Skills. Will be held in Orange commencing 4 December 2005. Project Manager has been asked to sit on steering committee and gain industry support as judges.

School Parents Careers Night. Attend school careers nights to advise parents of career options in the

<u>Development of an industry network/cluster</u>
Industry Network Meetings. The Project is trying to establish an industry network that will provide advice and direction in addressing and overcoming common issues through the industry in the local region. The longer term objective of the network is to have businesses working in a cooperative manner to achieve greater growth and profitability in the region.

In addition to the operation of the steering committee there are strong lines of communication between relevant parties within the region. Some of these parties include:

- Department of State and Regional Development
- Department of Employment and Workplace Relations
- Department of Transport and Regional Services
- Department of Education and Training
- Central NSW Area Consultative Committee
- Central Western Regional Development Board
- Job Network Providers
- TAFE
- Central West Group Apprentices
- DETNAC
- Blayney Molong Orange Workplace Committee

All of the parties above have a strong commitment and work collaboratively to address the skills shortage issue.

**(d) Coordination between Local, State and Commonwealth Governments, to attract and retain skilled workers**

This Project has been working with the Central Western Regional Development Board (funded through DSRD and certifying agents for DIMIA) and local industry in an attempt to attract labour to the region. This has been through attendance at the 2005 Country Week and an attempt to utilise the DIMIA Skills Matching Database. Previous efforts by businesses in the region to recruit from throughout NSW and interstate via newspaper advertisements have proved ineffective.

The Project Manager attended Country Week with both Orange and Cabonne Councils. Assistance was sought and granted from DSRD for marketing to skilled workers. The experience at Country Week was that a multitude of people were interested in relocating to rural and regional NSW but there were no enquiries from tradespersons or engineers in the metals fabrication and engineering related sectors. The Project Manager, along with Orange City Council staff, are trying to analyse the marketing strategy of the Country Week organisers to see if the marketing targeted the correct group of tradespeople.

The Project has also worked with businesses to access and utilise the DIMIA Skills Matching Database. The process of contacting prospective migrants through the matching database has been unsuccessful to date.

**(f) The impact of the Commonwealth's regional migration programs including assessing the long term jobs and investment outcomes and considering possible recommendations to encourage sustainable regional development in NSW**

The Orange Cabonne Blayney Industry and Skills Project has worked with the industry representatives in the region to explore the possibility of using the regional migration programs to address the current skills shortage. The complexities surrounding visa types, lengths of commitment, employing people sight unseen and time from application to commencing employment have proved a sticking point. The amount of time available to a business to pursue this avenue without the resources of a full human resources team is marginal.

In light of business time constraints and the amount of complexity surrounding the regional migration programs, the Project made a submission to the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) for an outposted officer. This submission was in response to an advertisement advising of the availability of 10 outposted officers nationally.

This Project's submission outlined a proposal for an outposted officer based on a geographical location (Central NSW) consisting of 11 local government areas (LGAs) as opposed to a peak industry organisation. It is the experience through this Project that businesses in similar situations and employing a similar skill set are not usually members of the same peak organisation.

The submission was declined by DIMIA. Some of the comments from the Department were: that there were 26 submissions for 10 available positions; regional areas could be

serviced by DIMIA staff from Sydney; and, peak organisations who have memberships of approximately 2000 businesses could not be overlooked for an outposting. The assessment process appeared to overlook the number of businesses within the eleven local government areas of the proposal (well in excess of 2000).

Staff from DIMIA have clearly stated that they are not a job matching service. Whilst this is true there remains a need for a database for employers to lodge vacancies that indicates they are willing to accept migrants and under which terms ie short term, long term or permanent. It may be a national or state based provision of the database but a central point is required for this facility.

**(g) The adequacy of current measures used to record and report on the skills shortage**

Current methods of assessment of skilled vacancies via newspaper advertisements appear seriously flawed. In this region a number of businesses have given up on advertising for skilled and professional positions due to a lack of response through previous advertising. Other times multiple vacancies may be advertised as one advert ie advertisement is for a welder but up to five positions may be on offer.

**(h) The methods used by training organisations including TAFE to assess skill needs in rural and regional NSW and their response to identified needs**

Methods used by registered training organisations (RTO) to assess skill needs is generally through networking and referral. The performance of TAFE in recent times within the Orange region in relation to assessing has been outstanding for the metals fabrication and engineering sector. The staff from TAFE have been actively involved in assisting this Project and other relevant agencies and employers in assessing and assisting, where possible, with skills shortages. However, TAFE has a limited ability to respond to the skills shortage due to the lack of available skills base to upgrade. The local TAFE has struck a deal with a local firm to upgrade existing employees skills, particularly in the area of staff supervision, in an attempt to make the workplace more efficient thus reducing some of the burden of the skills shortage.

This Project had identified an opportunity to use skilled labour as opposed to qualified welders in local firms. A deal was brokered between a Job Network provider, and RTO and industry representatives to train people as skilled welders. The purpose of this action was to fill gaps in the labour market with less skilled people who could still accomplish the work thus reducing the numbers of tradespersons required. . These brokered deals were once commonplace in the employment and training market but it appears that with the introduction of Job Network that the skills in identifying these opportunities and brokering the deals has been lost.

The concept was to train 15 unemployed people for 6 weeks to learn 3 types of welds and to be effectively productive within 2 weeks of commencing work. Due to the nature of Job Network funding only long term unemployed people could participate in the training. The Job Network providers referred clients to industry representatives prior to

the course commencing with the intent that the industry representatives would be able to assess the best candidates to complete the course and fit within their respective organisation.

Each of the separate industry representatives made comment that they believed that only two of the fifteen people they saw would be able to secure a position in an open employment field. The industry representatives ranked the Job Network clients who bothered to turn up in order of suitability, with the top 15 people commencing the course. The completion of the course saw only 5 candidates left. Once again the industry representatives considered the employability of these people as marginal.

The experience from this exercise shows that long term unemployed people are not the best candidates for training into semi skilled positions in an area of skills shortage.

**Other points to note**

The terms and reference of this inquiry does not appear to address the medium to long term strategies for addressing skills shortages. Most regional businesses have accepted there is a skills shortage crisis and believe it will be some years before the shortage is overcome. In light of this situation, the local industry representatives have requested that consideration be given to addressing the medium to long term skills needs as well as the immediate needs.

For the metals fabrication and engineering industry the options for overcoming skills shortages in the medium to long term can be grouped into two areas – school leavers and mature age.

<u>School leavers</u>

There is a distinct lack of suitable applicants taking up apprenticeship positions within the region. Some advertised positions for apprentices remain unfilled whilst other employers do not advertise but rely on school leavers to show initiative and drive by cold canvassing for potential positions. Across the group of 25 respondents to the previously mentioned survey all businesses indicated they currently employ apprentices or would employ an apprentice if an appropriate candidate approached them.

The experience of this Project is that more marketing needs to occur to school students, parents and teachers about the career opportunities within the trades. One of the biggest hurdles in convincing students to undertake an apprenticeship is the parents. Parental conception of the trades appears to be a dead end career prospect with poor pay and conditions. Parents need to be informed of career prospects and potential income through the trades.

The school system appears to be contradictory in the promotion of apprenticeships. School funding is based on the number of students at school which encourages schools to retain students through to the end of Year 12. Consideration should be given to classifying students as taking up a traditional trade in a skill shortage vocation as effectively still at the secondary school for funding purposes.

Approximately 50% of businesses in the survey said they preferred students from Year 10 and the other 50% preferred Year 12 graduates. The resistance of the education fraternity to encourage appropriate students to enter into apprenticeships at the end of

Year 10 flies in the face of life long learning concepts. The apparent focus of secondary schools in guiding students towards a university degree is also unrealistic given drop out rates in the first year of university and low numbers of graduates employed in their field of study. A student who leaves school at the end of Year 10, completes an apprenticeship and subsequently goes to university as a mature student has taken a career and education path that is just as valid as a school leaver from Year 12 entering direct into university.

School students should also be given the opportunity to experience the traditional trades whilst still in Years 8-10. The Central West Group Apprentices has funded a truck and trailer under the banner of 'Try a Trade'. The concept is that this truck will visit schools in the local area for up to a week at a time. The truck is fitted out with equipment similar to that found in the traditional trades (welders, lathes, sanders, saws, trowels, levels, etc) and students are encouraged to try their hand at using the equipment similar to an apprentice. Projects such as this one should be funded throughout the rural and metropolitan regions through either the State or Federal Government.

On the professional side, the State Government could investigate the notion of funding organisations such as Re Engineering Australia (REA) to implement the Schools Innovation Design Challenge (SIDC) throughout the State as part of the school system. Exposure to the SIDC may encourage more students to take up engineering as a university degree. Australia currently has the third worst rate of engineer graduates in the world, a situation that needs to be addressed.

Mature age (over 24)

A source of under utilised labour that could be retrained is the mature age group of people already in employment. A number of people in the mature age group, particularly in 30 – 40 age group, are looking for a career change and often would like to enter the trades. This group offers the benefits of:

- Stability in housing and family
- Life experience and commonsense
- Experience from other industry sectors that may be of value
- Some background concepts in the trade
- Enthusiastic workers
- Flexibility
- 25 plus years left in their working life

Although there are a significant proportion of people who would like to make the career change at this later stage in life there are some inhibiting factors such as being unable to exist on apprentice wages and the cost of establishing a tool kit. A number of local businesses have indicated that they would be willing to employ more mature apprentices if some assistance was forthcoming from the Government. This assistance could be in the form of subsidies for a 12 month period to make up the difference between a first year apprentice wage and a labourer or trades assistant wage. Most of the local businesses have indicated that a mature age apprentice is generally cost neutral by the end of a twelve month period.

Another option for encouraging mature age people into the traditional trades that are experiencing skills shortages is the provision of free night time or weekend training for those trades. This training would allow for the mature age person to complete the first year or eighteen months of the off the job training for apprentices prior to taking up a

position as a mature age apprentice. This would reduce the amount of time required for an apprentice subsidy to about nine months.

On the professional side, there is currently little opportunity for mature age people to train to be an engineer as a career change. No university within Australia offers engineering via distance learning or alternative delivery. To undertake engineering studies means relocating to Newcastle, Sydney or Wollongong. The inquiry may be able to instigate an investigation into alternative methods of delivery for engineering, particularly structural, mechanical and electrical disciplines. Alternative delivery methods could include:

- Live broadcast by broadband
- DVD recording with transcripts
- Interactive computer tutorials and sessions
- Face to face lectures on hosting campus (either CSU Orange or TAFE)

Laboratory work is a large component of engineering. The laboratory work could be carried out on a block release basis ie a weekend every 6 – 8 weeks. Although this proposal is a more expensive method of delivery than currently used, it is far cheaper that establishing a new set of engineering laboratories in rural/regional NSW – estimated to be in the vicinity of $200M.

When consideration is given to mature age people being unable to relocate to the coast for the duration of a degree and the reluctance of people from the coast to relocate into rural/regional NSW, there is little other option for overcoming the shortage of engineers in rural/regional NSW.

General comments

The following comments do not fit into the previous categories but are worth noting.

The State Government and large industry has reduced its employment of apprentices drastically over the last 20 years. Apprentices were employed in the hospitals, railways, BHP, power companies etc. With the economic rationalism and outsourcing of maintenance for hospitals and other government and industry services, the numbers of apprentices employed each year has been significantly reduced. Quite often, school leavers from rural/regional NSW would complete an apprenticeship in Sydney and return to their home town. There is less scope for this to occur with less apprenticeships on offer. With less apprenticeships on offer an underlying message is passed to the community that the trades are dying and people should investigate other career options.

The reduced offering of apprenticeships has a crippling effect on small to medium enterprises. This sector of the market in this region is almost at capacity to employ apprentices if you count actual apprentices employed and those willing to employ apprentices but have not recruited due to lack of applicants. Based on projections from Australian Industry Group there will be significant retirements from the babyboomer generation over the coming 10 years. When consideration is given to statistics that indicate that only forty percent of people are still employed in-trade 10 years after completion of an apprenticeship straight from school and that approximately 30 percent of people who commence an apprenticeship straight from school fail to complete the apprenticeship, recruitment patterns theoretically need to be based on training 10 school leavers for three jobs in 10 years time.

Consideration should be given to assisting industry in recruiting mature age apprentices. This may mean recruiting people from more menial or less skilled jobs and replacing them with the long term unemployed or other target groups. Anecdotally, mature age apprentices have a higher rate of completion of apprenticeships and are more likely to stay in trade for longer periods. A good mix of mature age and school leaver apprentices would establish a sound platform for addressing the skills needs for the future.

On the issue of training for engineers there are a number of elements that require addressing to ensure shortages are overcome in the medium to long term. School leavers from rural and regional NSW who enter into engineering usually do not return to the rural areas after completion of their degree. A pilot program needs to be established that allows both school leavers and mature age workers to undertake engineering degrees in a rural location. This pilot would alleviate the necessity of relocation to coastal NSW to undertake study which in turn leads to the person often not returning to regional/rural NSW. There is currently no option for local business to upskill existing staff from tradesperson to engineer. Companies cannot afford to send staff to Sydney two or three days a week for four to six years to upskill their staff. This is a critical issue when looking at aspects of lifelong learning and career progression.

Another aspect that has not been addressed is the ability of micro business to recruit apprentices. The complex nature of business in complying with OH&S and Workcover instructions, complying with GST and greater fluctuations in workload. This inquiry could suggest to the Commonwealth that funds that would have otherwise been paid as Youth Allowance be paid to micro business to assist them in maintaining an apprentice.

**Summary**

The Inquiry into Skills Shortages in Rural and Regional NSW should give consideration to addressing future skills needs as well as current shortages. The committee should look at historical data on apprentices employed through the State Government and large industry and consider re-implementing some of these recruitment policies. Consideration needs to be given to micro business, the day to day pressures they face and how financial incentives may relieve some of the skills shortage burden.

In line with current thinking of lifelong learning and career progression, alternative methods of delivery of engineering need to be implemented if rural and regional NSW are to overcome the shortage of engineers. To make the course viable it should reflect the needs of school leavers, mature age looking for a career change and tradespersons looking to upgrade their skills.

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