Submission

No 93

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

Organisation: Hunter Valley Training Company

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Theme:

Summary

Submission 93

Submission to the Legislative Council

Standing Committee on State Development

Inquiry into Skills Shortages in Rural and Regional NSW

by

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16th February, 2006

The Hon Tony Catanzariti, MLC
Chair and
Honourable Members of the
Legislative Council of NSW
Standing Committee on State Development

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

It is with a good deal of pleasure that the General Manager of Hunter Valley Training Company, Mr Peter Shinnick and I appear before the above Committee on Friday, 17th February 2006.

The recognition by our Legislative Councillors of the need to provide trades skills for the future, especially to those young people and some not so young who are unemployed, is of considerable help to those of us engaged in skills training.

The invitation to appear before this Committee is therefore deeply appreciated.

Yours sincerely,

MILTON MORRIS, AO
Chairman

Introduction

The Hunter Valley Training Company (HVTC) is a not for profit private Group Training company that is 50% owned by the NSW Ministerial Corporation. It is the largest employer of apprentices in NSW, providing employment to 1250 apprentices, primarily in heavy industry, across the State.

The information provided in this brief is obtained from 2 projects HVTC has completed in recent years, and specifically answers points (a), (b), (c), (f) and (h) of the Terms of Reference.

In 2002 the Hunter Valley Training Company commenced a two year Targeted Initiative Program (TIP) funded by the Department of Education Science and Training (DEST) to employ up to 55 New Apprentices in Gunnedah in the north west of NSW.

Prior to the commencement of the program, HVTC commissioned a survey of the Gunnedah business community to ascertain information on the prevailing business conditions. That information was confirmed during the two year operation of the program, and is the basis of facts provided to the Standing Committee in this submission.

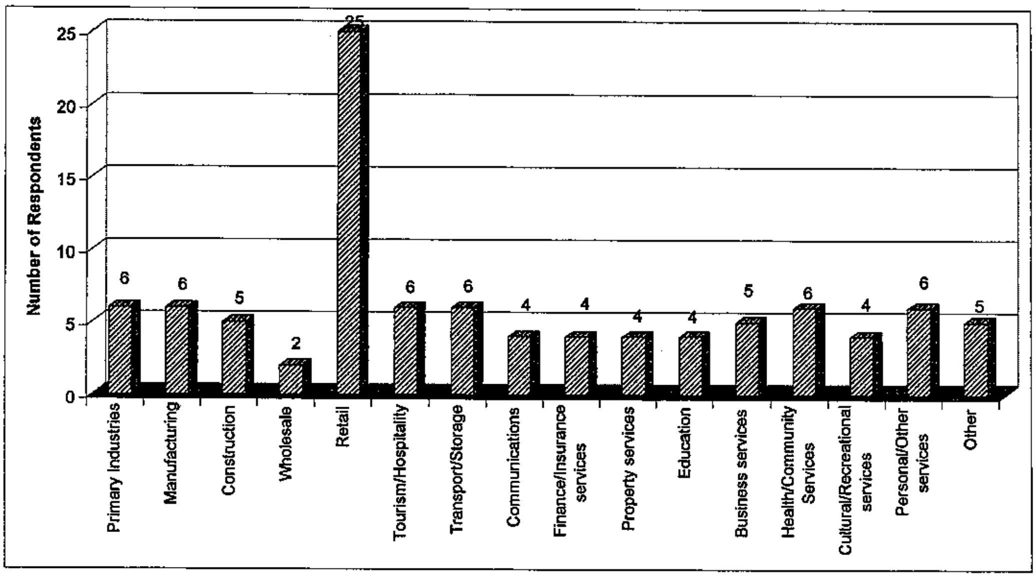
The information provided on Gunnedah is typical of regional NSW, an area that HVTC operates in from Goulburn in the south of the State to Lismore near the Queensland border.

The second project was the provision of training in 2005 to a group of Sudanese immigrants in the HVTC training centre "Hunter-V-Tec" located in Maitland NSW. During 2005 HVTC identified a large number of Sudanese youth who were interested in a career in the trades. With the assistance of the Migrant Resource Centre and the Hunter Institute, 15 youth were selected for a training course, and were provided assistance in seeking apprentice employment post training. None of the applicants were successful in achieving employment which they were all very keen to obtain. The trial indicated a more systematic approach to employing this large group of youth in the traditional trades is required.

Significantly the skills shortage in rural and regional NSW is not a recent phenomenon. Hunter Valley Training Company offices located in Gunnedah, Armidale, Tamworth and Lismore have failed to meet their growth targets for the past 4 years due to a shortage of suitable applicants rather than lack of available jobs. In all cases, there have been insufficient candidates for available positions, and importantly many of the candidates have not had the aptitude or inclination to succeed in a trade.

A. The Current and Future Demand for Labour

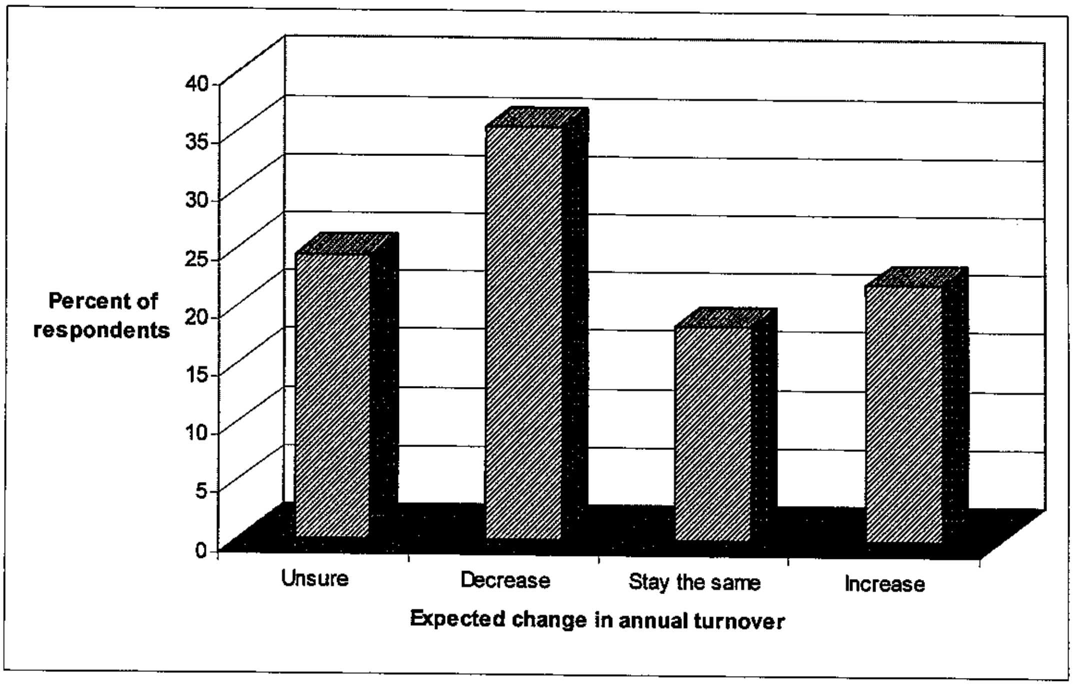
The current demand for labour in Gunnedah is typified by the mix of industries that are operating in the region. There is a broad cross section of the business community and due to the diverse nature of many businesses, many respondents conduct than one activity type. The retail sector is the largest represented with 30% of the community having a retail component to their business. The data is represented in the following table:



The primary factors this survey found affecting the current and future demand for labour in the Gunnedah region were: • Prospects for business growth; and • The availability of labour

1. **Business growth** – if a company expected to grow then it would increase its demand for labour. Over the coming year, 35% of respondents expected their turnover to decrease, 18% expected it to stay the same, and 22% thought it would increase. A further 24% were unsure. Of those that expected an increase, the average was for a 17% improvement in turnover. Of those that expected a decrease, the average was for a 19% decline in turnover. The data is represented in the following diagram:

Expected change in turnover over the coming year



Expected reasons for growth were a combination of initiatives undertaken by a particular business, or external influences such as interest rates, commodity prices and government activities, These issues include:
- New marketing strategies,
- Improved service and customer communications,
- Continued market growth and guaranteed supply of raw material,
- Low interest rates,
- Extra product lines,
- Acquiring a partner or associate and business diversification,
- Government approval to increase size of relevant scheme, and
- Drought and high commodity prices.

Identified industries with growth opportunities included:
- A doctor specialising in workers comp and rehabilitation
- Organic products
- hospitality - restaurants, cafés
- Reforestation, horticulture, tourism, aquaculture
- Retail including a delicatessen and an intensive enclosed market garden
- An ethanol plant
- Caravan park in Carroll to cater for customer needs

Difficulty Finding Staff

Over 60% of respondents had no difficulty finding staff with particular skills. This is significant in all rural areas because of the informal information network, leading to a high incidence of employment and training if family, friends and acquaintances. Of the respondents who reported that they did have difficulty, nominated skills shortages comprise mostly a narrow range of trades, and specialised personal services skills areas.

Amongst the 'other' skills required, the most common were mechanical/engineering type skills, and those relating to a good work attitude eg. a willingness to work, common sense, and generally a healthy attitude. Teaching and training skills are also in shortage.

Difficulty finding staff with particular skills?

Desired Skill	**Number of respondents**	**Percent of respondents**
Electrical trades	2	2
Health related	2	2
Childcare related	2	2
Aged care related	1	1
Building trades	1	1
Plumbing trades	0	0
Other	27	33
Blank	50	61
Additional Skills Mentioned		
	Number of respondents	**Percent of respondents**
Mechanical/engineering	8	10
Good work attitude	6	8
Teaching	3	3
Sales	1	1
Accountants	1	1
Computing	1	1
Locksmith	1	1
Theatre technical	1	1
Security	1	1
Hospitality	1	1
Agronomists	1	1

Heavy vehicle mechanical skills are clearly in short supply in Gunnedah, and consideration needs to be given to develop an approach to finding New Apprentices in this important field, and structuring training in a way that makes it accessible to Gunnedah residents.

Employers' desires for 'a good work attitude' are common in most regions, and it may be worth offering pre-vocational or even 'top-up' training in these areas in Gunnedah to both staff directly and through their employers.

B. The Economic and Social Impacts of the Skills Shortage

Despite the skills shortage in regional NSW, the last few years have seen 41% of businesses grow, 44% hold steady and just 15% shrink in Gunnedah. This seems to be contrary to what should happen.

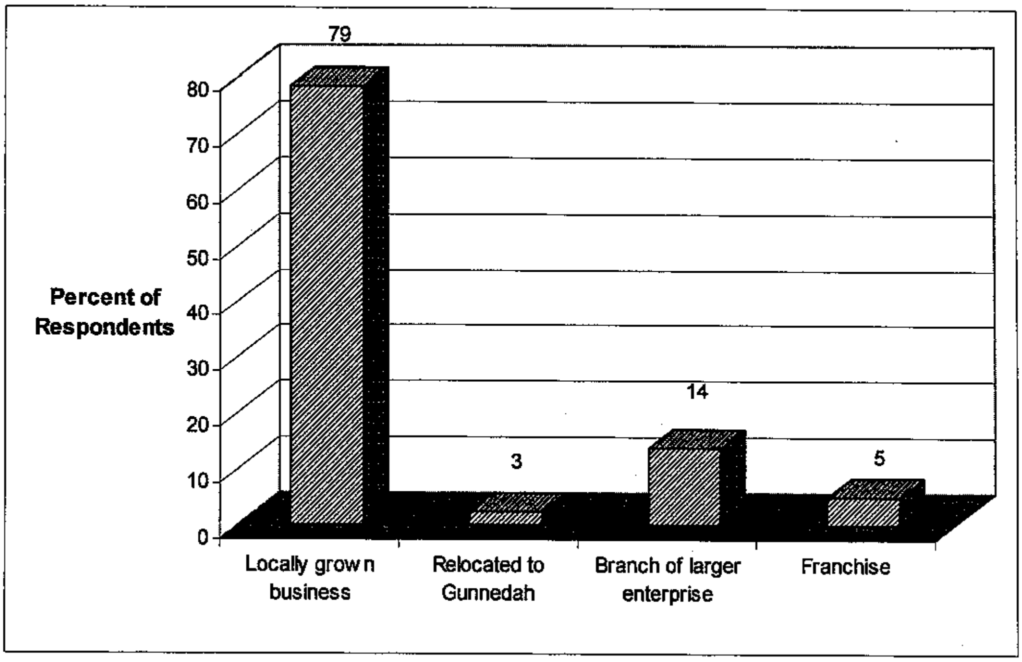
The survey conducted by HVTC suggests that 35% of Gunnedah's businesses are bracing themselves for a fall in turnover, while 18% are predicting they will hold steady, and 22% are predicting modest growth. Even amongst those expecting turnover to fall, many are also planning to keep developing staff and operator business skills to ensure a fast and sustainable recovery.

Gunnedah businesses are not sitting on their hands. A significant 15% of respondents are planning changes to their business activities to strengthen their position. These changes include diversification of product and service lines, diversification of the customer base and purchases of new plant and equipment.

The survey reveals that there is a core group of entrepreneurs in Gunnedah who have the skills and desire to stay on top. 54% of respondents undertook business skills training in the previous 12 months, and almost two-thirds of those are planning on more skills development in the next twelve months.

Many respondents reported that they are working very long hours (53% are working over 50 hours per week and 14% are working over 75 hours per week). While this is understandable in difficult times, it is not sustainable. Gunnedah's young people need to be given a go, and business management needs to reflect the leading practice of systematising operations and bringing in and developing staff to share the load. Managers need to be free to plan for the future – not tied down in low-value tasks.

Critical to the social and economic impacts is an understanding of rural businesses. If you look at how the businesses in Gunnedah started you can see that 79% are locally grown – and so there is a great resilience and desire to ride out difficult times. This data is shown in the following table:

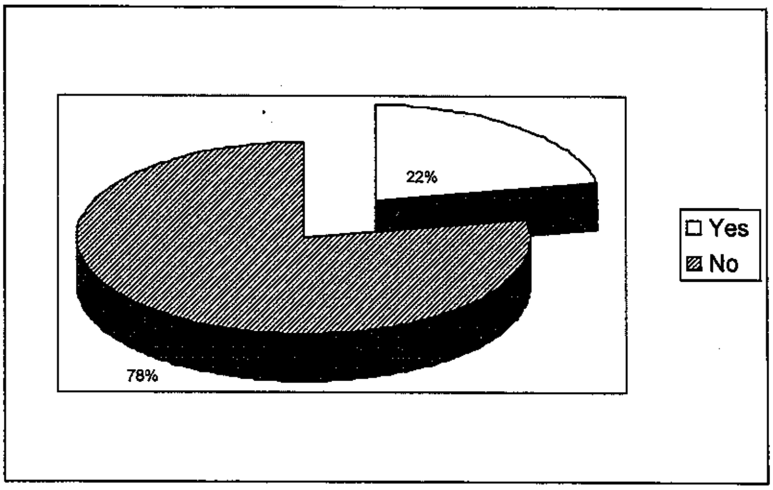


In rural Gunnedah, the principal economic and social indicators of the skills shortage measured in our survey were:

- Diversification of companies into other lines of business;
- Employees working longer hours;
- changes in business turnover;
- changes in staff levels; and
- changes to the operations of the primary business.

Diversification of farms into other lines of business. A major impact of skills shortages is the diversification of farms into other lines of business – in Gunnedah a significant proportion of respondents operated a business in addition to their main business (22%).

Percentage that operate an additional businesses

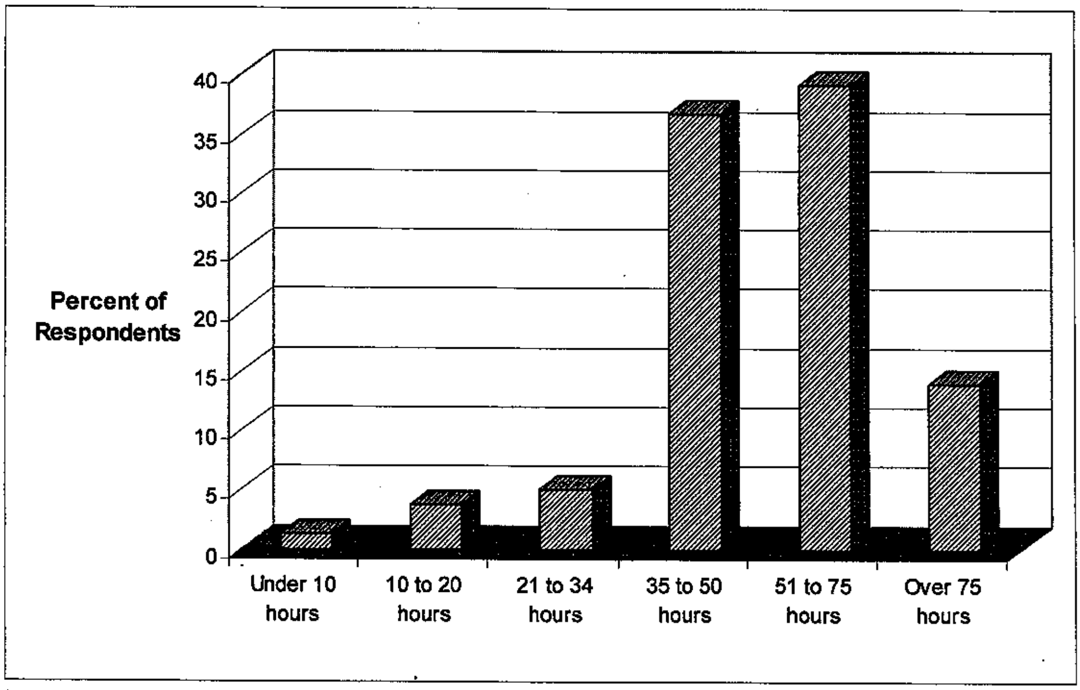


This percentage is high compared to the ABS estimate that 6% of small business operators nationally run more than one business. The multi-business activities in Gunnedah reflect the smaller economic base, and the significance of off-farm income earning activities for Gunnedah's primary producers who cannot gain staff to assist them on their farm.

Working longer hours. Gunnedah respondents work longer hours than the broader pool of small businesses in New South Wales. By way of comparison, the ABS estimates that amongst small business operators in New South Wales in June 2001, 28% worked less than 35hrs per week, 48% worked 35-50 hrs per week, 22% worked 51-75 hrs per week and just 2% worked over 75 hrs per week.

Most respondents (76%) worked between 35 and 75 hours per week, and almost 14% working over 75 hours each week.

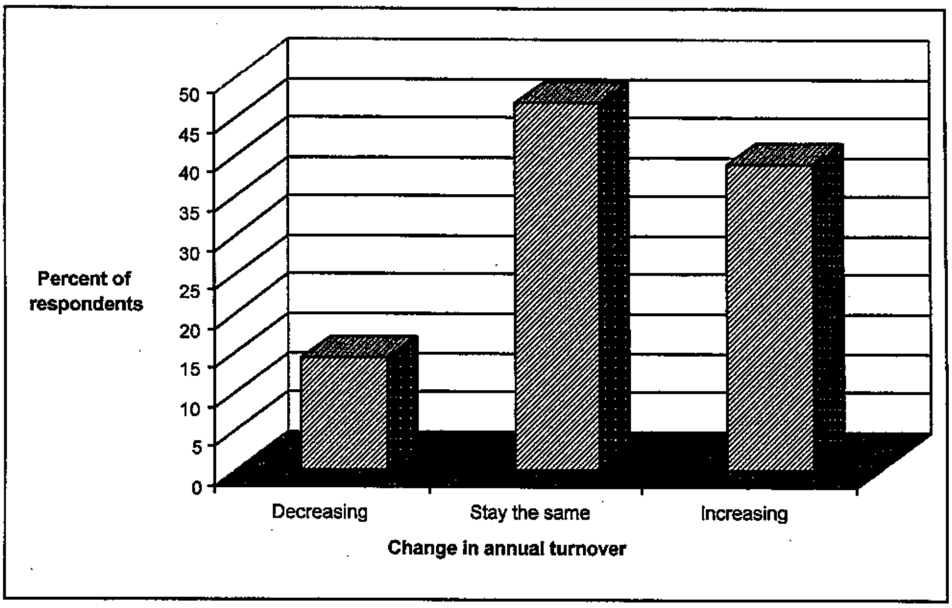
Number of hours worked each week



Source: HVTC Survey Nov 2002

Change in Annual Turnover. Between 1999-2000 and 2001-02 the annual turnover of 44% of respondents had stayed the same, while that of 41% had increased. Only 15% reported a decrease in turnover over this period.

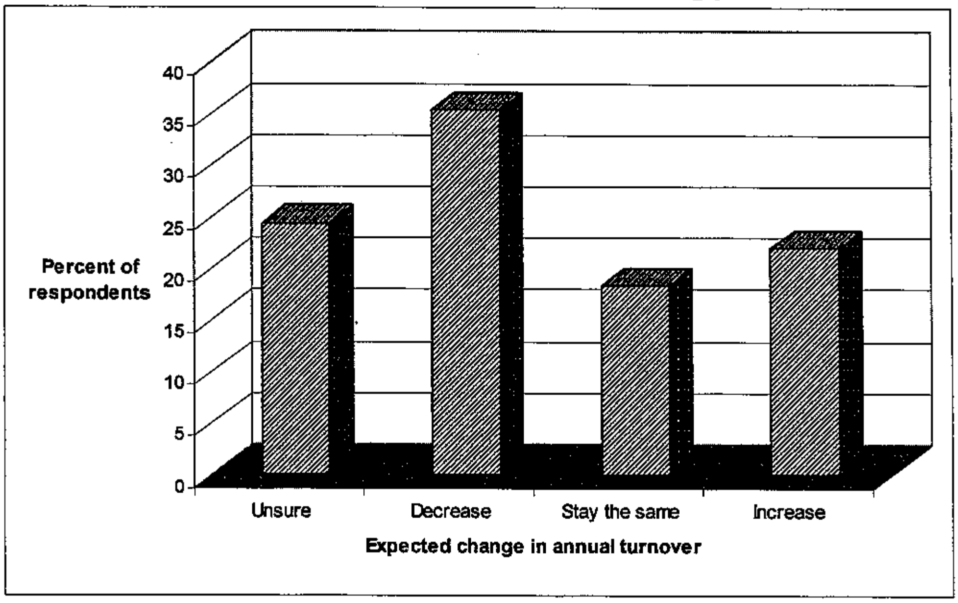
Change in annual turnover between 1999-2000 to 2001-02



Source: HVTC Survey Nov 2002

Expected Change in Turnover. Over the coming year 35% of respondents expected their turnover to decrease, 18% expected it to stay the same, and 22% thought it would increase. A further 24% were unsure. Of those that expected an increase, the average was for a 17% improvement in turnover. Of those that expected a decrease, the average was for a 19% decline in turnover.

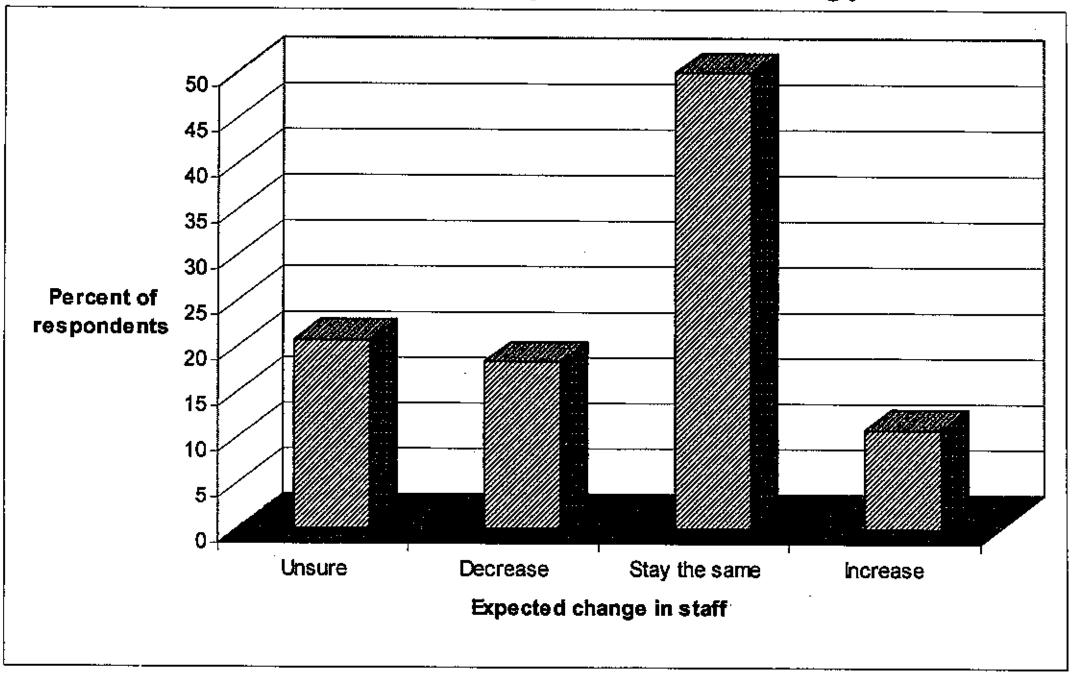
Expected change in turnover over the coming year



Source: HVTC Survey Nov 2002

Expected Change in Staffing Levels. Over the coming year 18% of respondents expect their staffing level to decrease, 50% expect it to stay the same, and 11% think it will increase. A further 21% were unsure. Of those that expected to increase their staff, the average was by 2.1 people. Of those that expected to decrease their staff, the average was by 1.3 people. This table below indicates that a proportion of those businesses predicting increased turnover expect this to occur without the need for increased staff. It also indicates that a proportion of businesses hope to retain staff despite an expectation of decreased turnover.

Expected changes in staffing levels over the coming year



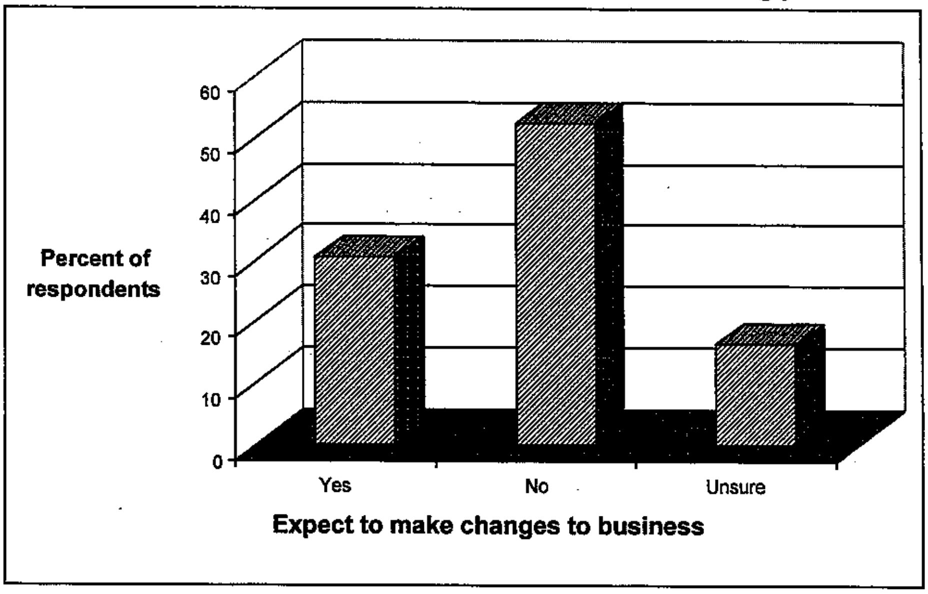
Source: HVTC Survey Nov 2002

Expected Changes to Operation of Business. Almost a third of respondents (30%) expected to make some sort of operational change to their business over the coming year, just over half (53%) did not expect to make any changes, and 18% were unsure. Of those that expected to make changes, just under half involved activities relating to an expansion or diversification of business activity, and half involved activities related to a decline.

Expansion-related changes included; acquiring new activity, increasing diversity and product lines, buying new plant and equipment, expanding the range of services, advertising and marketing changes, identifying new areas of manufacture.

Contraction-related changes included; general reduction in activities, cutting back on stock lines and services, and selling or closing all or part of the business.

Expected changes to operation of business over the coming year



Source: HVTC Survey Nov 2002

C. Strategies and Programs

Factors or Actions that would have a Positive Effect on Business. The HVTC survey in Gunnedah revealed a wide variety of suggestions of factors and actions that would have a beneficial effect on business. In addition to improved seasonal conditions for the agricultural industry, respondents' suggestions can be divided into the following headings:
- Actions that could be taken by the business concerned,
- Actions that could be taken by local business groups,
- Changes to labour market,
- Macro-economic factors,
- Government related,
- Infrastructure related, and
- Suggestions specific to a particular industry.

A common theme was the need for increased profitability of agriculture, either through improved climatic conditions or through improved markets. This would in turn lead to increased employment opportunities in the district and expansion of other businesses. A number of respondents also suggested that development of new industries such as an ethanol plant, an abattoir, a jail, and a mine would have similar effects.

Although traditionally primary industries have been the main source of income moving into a rural area, many rural communities are currently moving into other sources of income. These are generally based on tourism and other types of employment such as manufacturing, transport, and any that can be carried out at a distance from the employer – for example via the internet. In 1996 mining was the 12th largest employer in Gunnedah accounting for only 3.4% of employment, whereas a greater contribution was made by manufacturing (11.6%), transport (3.6%), and accommodation, cafes and restaurants (4.2%). Although a proportion of these would service the local area, they would all bring much-needed cashflow in from elsewhere in Australia and internationally.

Actions that could be taken by the business concerned included:
- Improving office skills (management training, business skills);
- Develop business plan and marketing skills;
- A combined approach from similar businesses tendering for bigger jobs, possibly achieved through a networking program;
- Value adding of product;
- Re-assessing marketing methods; and
- Obtaining better production facilities.

Actions that could be taken by local business groups included:
- Advertising to promote area tourism
- Assistance with finding funding
- Positive business promotion

Changes to labour market included:
- Better access to casual and full time skilled labour;
- Major business/industry coming to town (ethanol, abattoir, jail, mine);
- More development in country areas;
- Development of more industrial businesses; and
- Lower insurance and workers compensation premiums.

Macro-economic factors included:
- Good commodity prices;
- Continuation of low interest rates;
- Higher economic growth;
- Increased population; and
- Population with increased expendable income.

Government related included:
- Resolution of water licences
- Removal of payroll tax
- More changes to workers' compensation rules
- Unfair dismissal regulations changed
- Greater acknowledgment of rural issues by State government
- Restructure the application and consent process for state-significant development
- Reduced personal taxation
- Deregulation of labour market
- Government programs to support rural and regional communities
- More flexible government rules eg. superannuation work cover
- Greater government support for creative arts in regional areas
- Government allowing rural non-farm businesses to offset their income between good and bad years, also allowing such businesses access to same financial benefits as farmers
- Lower taxes
- Simplify GST compliance

Infrastructure related:
- Improved communication services (access to high speed telecommunications network)
- Improved transport/rail etc to promote new industries and support existing ones
- Rail tunnel through the New England Range
- Upgrade of freight carriage and handling facility
- Cheaper fuel

Suggestions specific to a particular industry:
- Government should discontinue absorption of GST on standard stamps
- Sponsorship restrictions at local level should be removed by corporate head office
- 100% government subsidies for preschool education and permanent full time work for parents

- Business awareness of their security needs, residential awareness of their security needs
- Compulsory driver training
- Guaranteed supply of raw materials
- Increase in demand for bulls
- Less trading hours by multinational food chain
- Development of regional arts facilities including music schools

Whilst these suggestions are Gunnedah centric, they do typify a broad cross section of experienced an knowledgeable "bush professionals".

F. The Impact of Regional Migration Programs

In 2005 Hunter Valley Training Company approached the Migrant Resource Centre in Newcastle about the prospect of providing training and employment to the Newcastle Sudanese community. This was driven by several issues – their high profile and inability to access apprenticeships, and their willingness to engage in training to improve their long term employment prospects.

A group of 20 boys visited the HVTC training centre Hunter-V-Tec to learn a little about the trades and meet and talk to our apprentices. From that group, 15 were selected to complete a seven week course teaching them basic engineering skills. During the conduct of this course V-Tec staff sought apprentice employment opportunities for them.

Of the 15 youth who commenced the course six were assessed as suitable to be awarded a Statement of Attainment of competencies from the Metals training package. Of these, none subsequently attained an apprenticeship.

The failure of this program to achieve any employment outcomes was disappointing but not unexpected. The cultural change for many of them – from a subsistence nomadic lifestyle to a modern industrial environment – could not be achieved in the short time they had been in Australian and the 8 weeks of this course.

The key lessons learnt from this program were the following:

- There is a large pool of Sudanese and African youth in Australia who are capable of completing trade training;
- Prior to commencing an apprenticeship they require substantial familiarization with the Australian lifestyle, including language skills, work ethics, and demographics.
- They also require an introduction to working in Australian industry. This would be a pre-apprenticeship training program at a Certificate 1 Level including such modules as OH&S, introduction to tools, and soft skills. This would be at least six months duration.
- Upon completion of this preparation the immigrants would then be ready to commence an Apprenticeship.

This short course was conducted at a substantial cost by HVTC with no Government assistance.

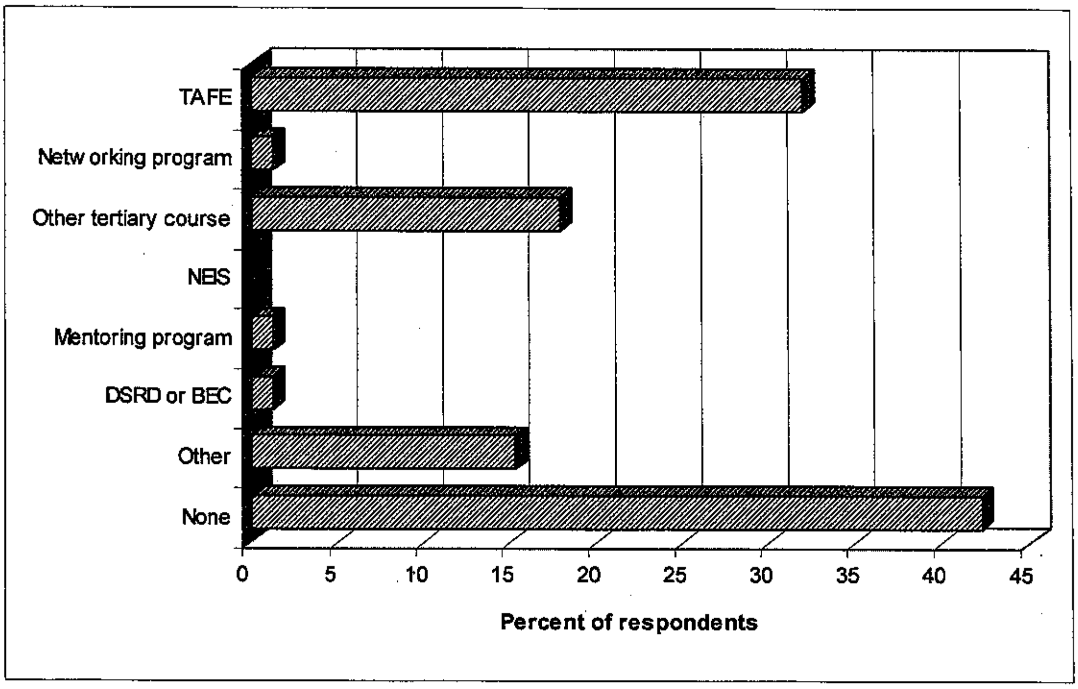
H. Skills Needs and TAFE

Business Skills Needs

Formal Training in Small Business Management. Almost half (42%) of respondents had never undertaken any formal training in small business management. TAFE courses were by far the most common, being taken by 32% of respondents. Tertiary courses were next most common, taken by 18%, with 15% taking an "Other" sort of course. See the table below.

This latter group was made up of;
- Industry sales courses
- Australia Post management succession training
- In-house and in service courses/workshops
- Seminars and workshops
- Dept Transport Trainer and Management
- Compulsory training (products)
- Aussie Host plus Profession Practice Management courses
- Small business course

Formal training in small business management

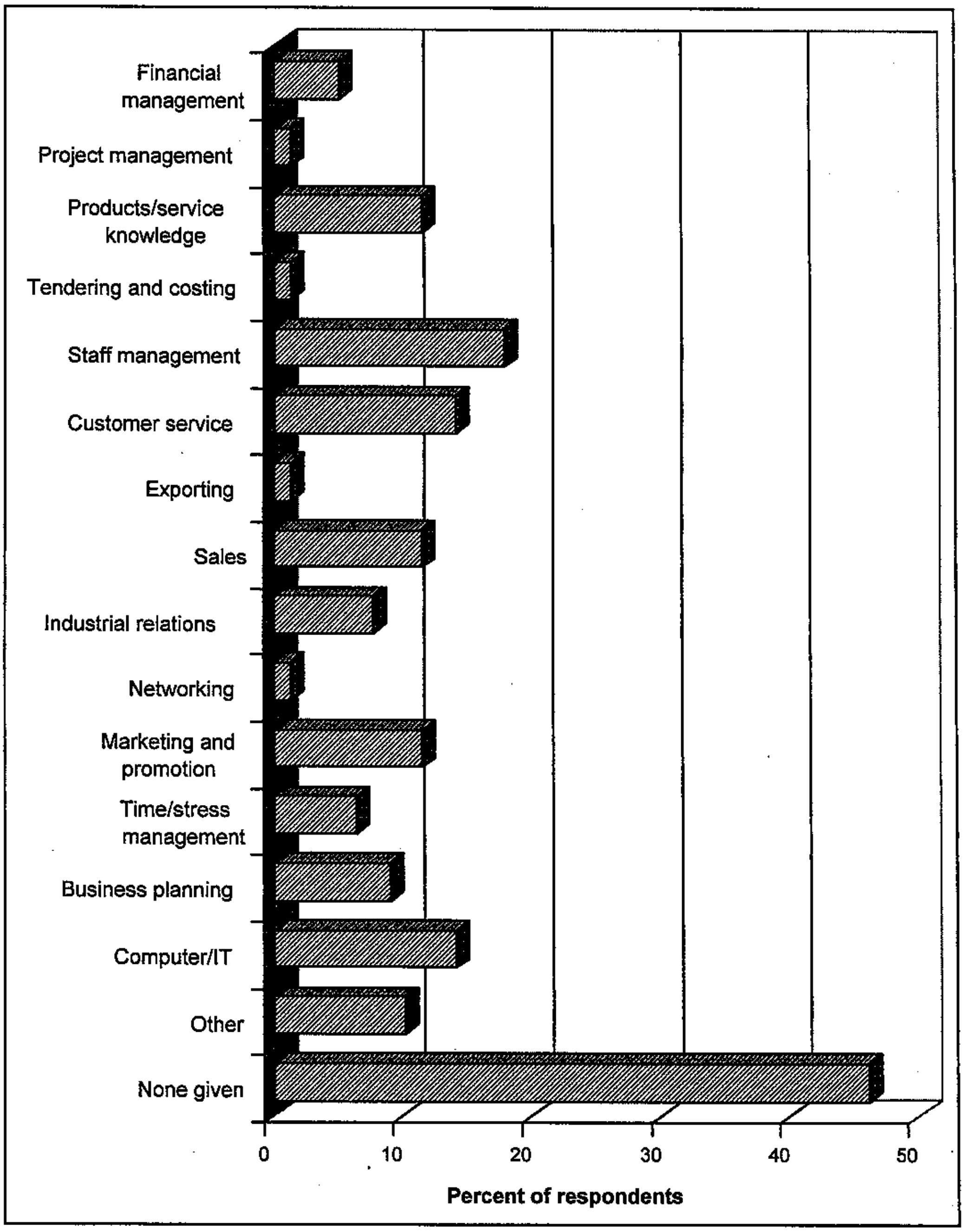


Source: HVTC Survey Nov 2002

Business-Related Training in Last 12 Months. A wide variety of business-related training had been taken by respondents in the last 12 months – although 46% had undertaken no training at all. The most common type of training was in staff management (taken by 18%), followed by computer/IT and customer service (both taken by 15%), then products/service knowledge, sales, and marketing and promotion (all taken by 12%).

"Other" courses were taken by 10% of respondents and included the following, all of which were taken by one respondent except for OH&S which was taken by three (4%);
- OH&S
- Taxation update courses
- Workplace assessment and training course
- Courses directly related to my profession
- Risk management
- Negotiating, defensive driving
- MBA study

Types of business-related training taken in the last 12 months



Source: HVTC Survey Nov 2002

Desired Business Skills – Management. Management's desired business skills only partially overlapped training already undertaken. Again approximately half (51%) did not indicate that any additional business skills were desired, presumably because respondents considered themselves already proficient in these areas. The two most desired skills, financial management, and marketing and promotion (both indicated by 23%) had been undertaken in the last 12 months by only 5% and 13% of respondents respectively. Both of the next two most desired skills, computer/IT and business planning, indicated by 20%

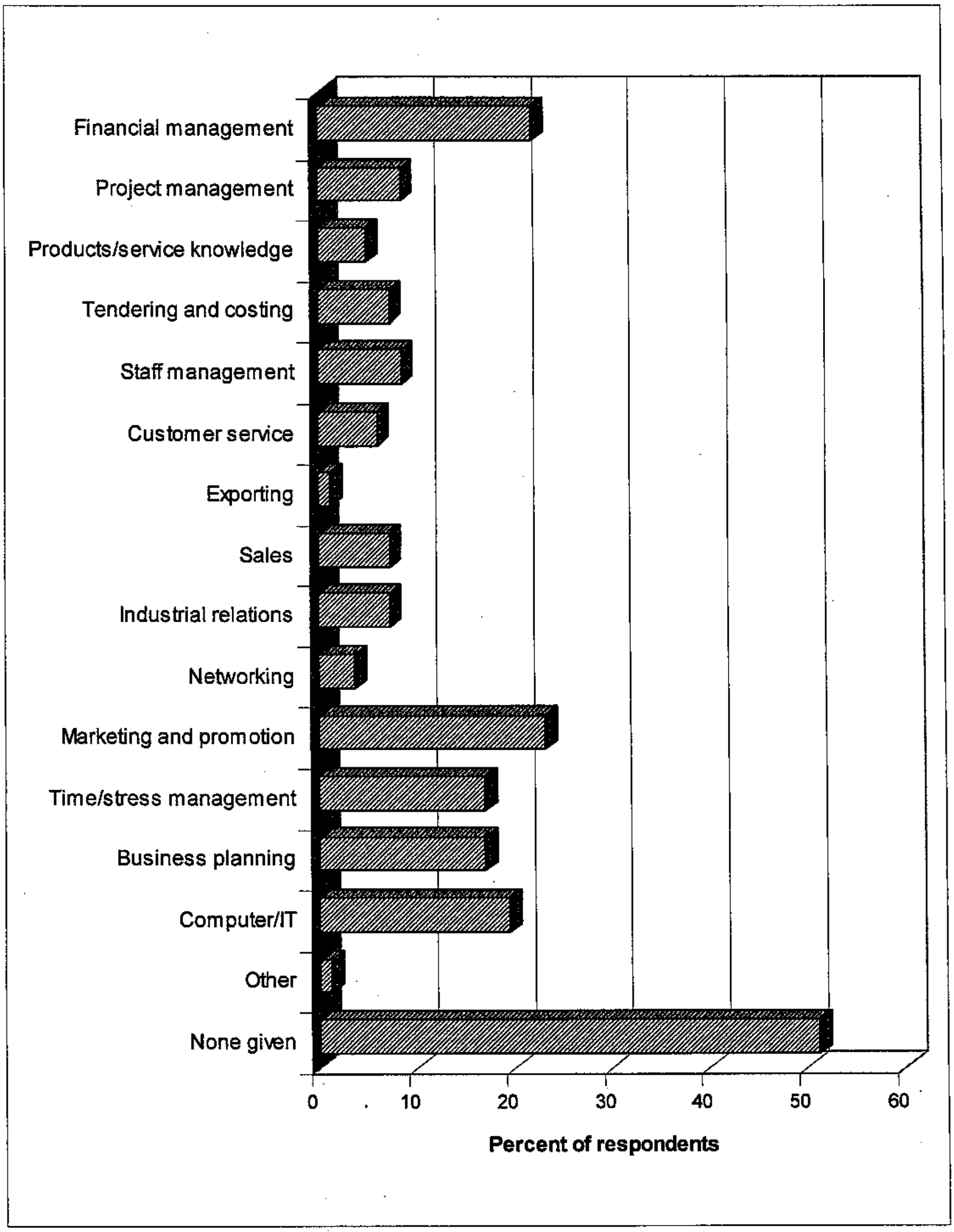
and 17% respectively, had been undertaken by 15% and 10% respectively. Interestingly, time/stress management (at 17%) had been taken by only 7% of respondents in the last 12 months. See the table below.

Of those that had undertaken specialised training in the last 12 months, 62% indicated they desired additional skills. Of those that had not undertaken specialised training in the last 12 months, only 36% indicated they desired additional skills.

New businesses were more likely to desire additional training – although only 12% of total respondents had been in operation for 1 to less than 5 years, this group made up 20% of those desiring additional training. However, the business that had been in operation for 5 to less than 10 years, not the long-standing businesses of 10 years or more, were the ones more likely to consider themselves sufficiently trained. Long standing businesses made up 60% of both the sample total and those desiring additional training.

The only "Other" desired business skill was theatre technical.

Business skills desired by management



Source: HVTC Survey Nov 2002

The characteristics of the respondents looking for business skills development is of particular interest to organisations looking to provide specialised business training and enhance employment growth in Gunnedah. The survey data allows a closer look at the characteristics of those respondents who indicated that they are looking for business skills development.

The discussion below looks at the relationships between the desire for business skills development and:

1. Industry;
2. Hours worked;
3. Turnover;
4. Growth expectations; and
5. Barriers to growth.

Respondents nominating a desire for business skills development were:

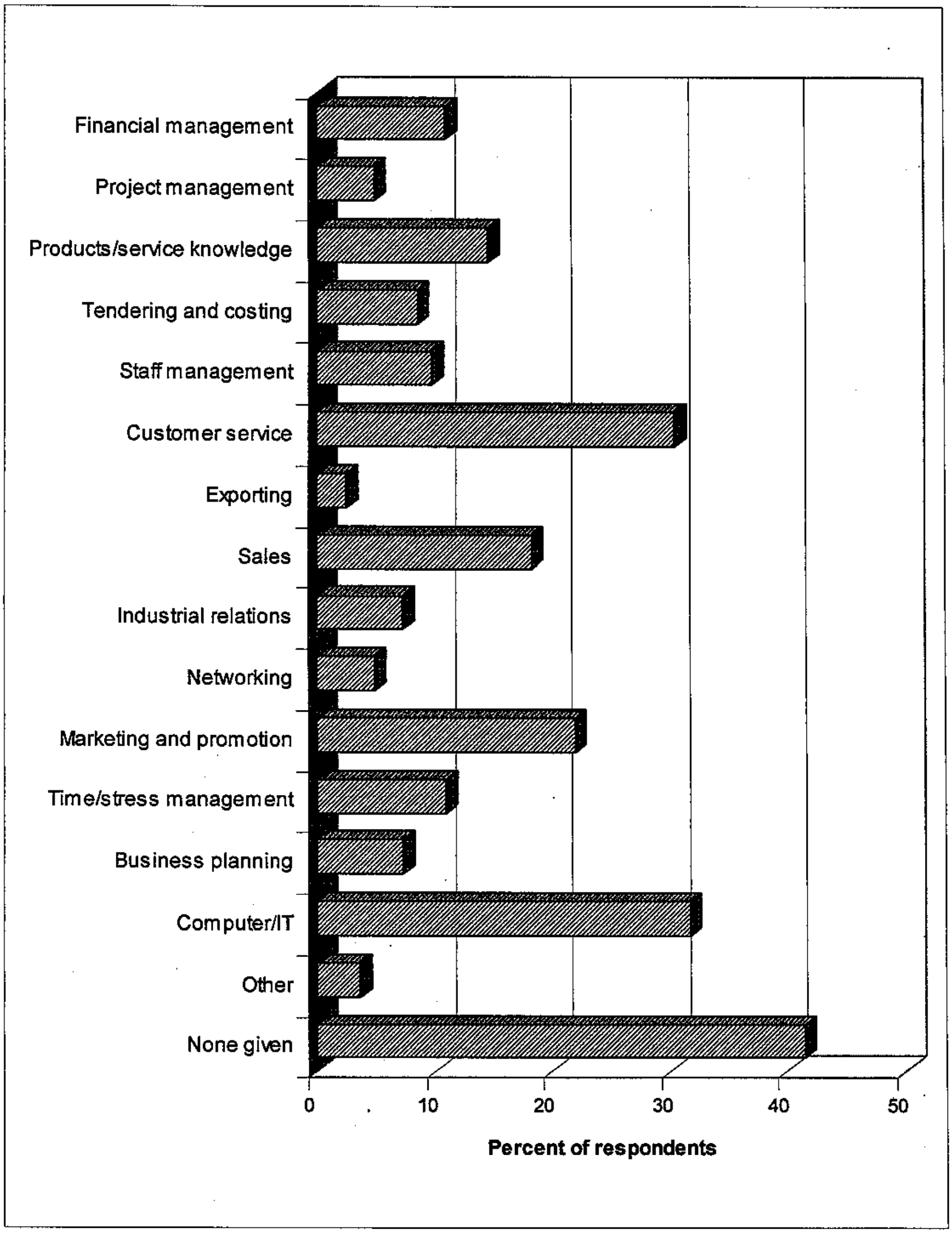
1. More likely to be in services industries – especially Business Services (12% compared with 6% overall) and Personal & Other Services (12% compared with 7% overall);
2. Less likely to be working very long hours (7% working over 75 hrs per week compared with 14% overall) – indicating that many of those that really are 'too busy' aren't interesting in developing better business skills and are at risk of being left in a 'time deficit trap';
3. Similar in turnover pattern to the overall pool of respondents;
4. More sure about prospects for the next 12 months (5% 'unsure' compared with 24% overall) and while 40% expect their business to shrink (compared with 35% overall) they were also much more positive with 43% expecting growth (compared with 22% overall); and
5. Less likely to nominate 'lack of demand' as a key barrier to growth (30% compared with 45% overall), but more worried about lack of finance (31% compared with 26% overall).

These results indicate that the best market for providing business development skills is the pool of Gunnedah businesses that are already more 'switched on' and managing their businesses closely.

Staff Skills Needs. Again, a wide range of business skills were desired for staff. Just under half (41%) did not indicate that any additional business skills were desired, presumably because respondents considered their staff already proficient in these areas.

There were similarities to the skills desired by management in that computer/IT and marketing and promotion both rated highly at 32% and 22% respectively. Other skills that rated highly were customer service (30%), sales (18%), and products/service knowledge (15%). The only "Other" skill mentioned was OH&S.

Business skills desired for staff



Source: HVTC Survey Nov 2002

In a similar way to the analysis above of the characteristics of business operators who are looking to develop their business skills, the survey data allows a closer look at the characteristics of those respondents who indicated that they are wanting their staff to develop better business skills. This group too will be of particular interest to organisations looking to provide specialised business training in Gunnedah.

As above, the discussion below looks at the relationships between the operator's desire for staff to develop more business skills and:
1. Industry;
2. Hours worked;
3. Turnover;
4. Growth expectations; and
5. Barriers to growth.

Respondents indicating a desire for their staff to develop better business skills were:
1. More likely to be in the retail sector (38% compared with 30% overall);
2. More likely to be working very long hours (58% working over 50 hrs per week compared with 54% overall);
3. More likely to be larger business (that feel they can really afford to develop their staff – a trap for smaller businesses who need this approach at least as much if not more) with 59% turning over more than $500,000 in 2001-02 compared with 46% overall;
4. More sure about prospects for the next 12 months (7% 'unsure' compared with 24% overall) and while 40% expect their business to grow (compared with 22% overall) this was not definitive as a high proportion of those wanting to see staff skills development are also expecting their business to shrink (44% expecting compared with 35% overall); and
5. Less likely to nominate 'lack of demand' as a key barrier to growth (31% compared with 45% overall), and also less worried about lack of finance (23% compared with 26% overall).

Desired Technical Skills – Staff. 15% of respondents would like their staff to develop additional technical skills. Suggested technical skills were:
- Adapting technology into the home
- Computer and technology-related training
- Theatre technical - lighting, sound
- Welding - engineering, mechanical
- Specialised product knowledge and customer relations skills

Unused Staff Skills. 6% of respondents indicated that their staff have skills or qualifications that they are not using at present. These were:
- Bricklayer
- Artist
- Builder/tiler/handyman
- Drainer
- Accounts clerk/receptionist
- Teacher

Encouragement of Employee Training. 62% of respondents said they encourage on- or off-the-job training for their employees.

Only 20% were aware of training programs offered locally. These were:
- industry product knowledge and customer service
- Aussie host
- Gunnedah and Tamworth TAFE: Cert IV small business management, computing, traineeships and other qualifications
- Frontline Manager
- ACE
- OH&S, first aid
- industry related courses, usually organised by AHA
- TAMTEK, BEC
- Job sharing with similar businesses

Prepared by:	Peter Shinnick General Manager Hunter Valley Training Company
Approved by:	Hon Milton Morris AO Chairman Hunter Valley Training Company
Dated:	17 February 2006