

MEDIA RELEASE

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Skills shortages loom large as a risk to growth

According to a new Australian Industry Group/ Deloitte CEO survey, skills shortages are again looming large as a major risk for business and pose real problems for companies in terms of production and service delivery. This situation is forecast to intensify and businesses are working hard to mitigate the risks.

The survey, *Skills shortages: A high risk business*, which involved more than 400 companies of all sizes, found that more than one-third (34.7%) of businesses believe there is a high to extreme risk of skills shortages negatively impacting on the operation of their businesses this year. This level of concern increases to almost half of all companies (47.5%) by 2015.

Ai Group Chief Executive, Heather Ridout, said: "While skills shortages have never totally gone away, they are set to intensify with a vengeance and are arguably the number one threat to our economic growth. While companies learnt painful lessons from past downturns and hoarded their skilled staff, the magnitude of the problem today requires new strategies and renewed effort at a whole new level.

"Of particular concern is that shortages are intensifying in occupations associated with manufacturing, construction and engineering, which are pivotal to the Australian economy. These occupations are based on skills which have a long development lead time, are in high use across the economy and whose absence puts industry at high risk.

"Industry considers that managing skills shortages is a high priority (38.8%), but they also believe that investing in skilling is a shared responsibility between government, business and individuals. Businesses are seeking to do their share of the heavy-lifting by putting on more apprentices where possible and having a renewed focus on up-skilling their existing workforce. For government, addressing skills shortages needs to be put right at the top of the policy agenda and a strategic and comprehensive approach taken to developing our skills pool," Mrs Ridout said.

Regional Managing Partner Deloitte Consulting Asia Pacific, Gerhard Vorster, said: "The credit crunch was a mere blip compared to the chronic skills shortage that continues to restrict Australia's growth potential.

"Despite the lack of talent, standing still is not an option. CEOs committed to driving growth need to win the race for talent or risk being overtaken by the competition," Mr Vorster said.

Mr Vorster recommends undertaking a work force planning review to identify the critical skills employers require now and in the future.

"The good news is that Australia's education and training providers are keen to collaborate with business to help secure a pipeline of skilled talent. While addressing the supply of talent, employers must also address their own demand. Those that fail to innovate around processes, systems and working practices are going to face a very bleak future," Mr Vorster said.

The skilled vacancies employers are struggling to fill include:

- Metal fitters and machinists;
- Professional engineers;
- Business administration managers and accountants; and
- Metal casting, forging and finishing trades persons.

Mrs Ridout said: "Hugely frustrating to business is the fact that according to more than half of respondents, the reason for these vacancies is a lack of both the occupation specific skills and the underpinning skills and

experience among applicants. Also high on the list is the inadequacy of local training options which is affecting the quality of applicants.

"While the Government has given welcome support in a number of areas including through extensions to apprenticeship bonuses and investment in the VET system, much more needs to be done including:

- Make permanent the Apprenticeship Kickstart Bonus for traditional trades as part of the enhancement and redesign of Commonwealth employer incentives;
- Increase real levels of funding in vocational education and training by \$660m per annum to accommodate 3% annual VET participation growth;
- Allocate additional funding to demand-driven funding models, ie enterprise-based productivity programs, workforce development initiatives;
- Link eligibility for public funds to industry-endorsed quality performance indicators;
- Develop and implement a National Adult Language, Literacy and Numeracy strategy and adequately resource it to achieve a real and measured lift in our literacy and numeracy performance;
- Continue to drive reform of the tertiary sector, by better linking vocational and higher education and creating improved pathways for individuals;
- A stronger emphasis on boosting workforce participation. This can be achieved through a broad range of government policy measures complemented by companies adopting workforce development strategies that help people become more productive and stay in work longer; and
- Business will need to invest more in productivity enhancing and labour saving technology. "

Key findings:

- More than a third of companies surveyed believe there is a high to extreme risk of skills shortages impacting the operation of their business in 2010, and this increases to almost half of respondents (47.5%) when they rank the risk for 2015.
- An inability to fill skilled occupations poses real problems for business' ability to support production and service delivery in the future.
- Among the occupations employers are struggling to fill: Metal fitters and machinists (59.6% of all vacancies were unfilled), Engineering professionals (51.7% unfilled vacancies), Metal casting, forging and finishing trades persons (36.7% unfilled vacancies), Structural steel and welding trades workers (32.9% unfilled vacancies) and Business administration managers (36.7% unfilled vacancies).
- Many companies were forced to reduce staff during the downturn so there is no 'fat' to cover skill shortage areas while others are concerned about the impact of skilled employees entering retirement over the next few years and also the loss of staff to more highly-paid jobs in the defence and mining sectors.
- Nearly two-thirds of all businesses faced difficulties filling their vacancies over the past 6 months. The major reasons these positions remain vacant is due to a lack of specialised skills required for the job (59.3%), the lack of applicant skills and experience (54.1%) and the absence of local training options (32.6%).
- Nearly half of respondents (46.8%) are making managing skills shortages a high priority and are implementing a number of strategies in response to current shortages and anticipated shortages. Measures include better in-house training of employees, developing a plan to multi-skill by training existing workers and considering wage increases to retain skilled workers.
- Large companies are anticipating a higher risk of skills shortages in 2010 (51.9%), and by 2015 (58.8%), than medium and small companies.
- Respondents believe government should play a bigger role in addressing skills shortages. Suggested reforms include additional financial incentives for small businesses, tax breaks for training expenditure and making trade apprentices more attractive to both individuals and business.

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Note: The full survey can be found at www.aigroup.com.au/policy/reports

Background: Over 400 CEOs in the manufacturing, services and construction sectors participated in the survey, which was conducted in May 2010. Combined, these companies had sales revenue of around \$13.5 billion in 2009-10 and employed almost 30,000 people.