



SUBMISSION

Review of the Australian Apprenticeships National Skills Needs List

27 September 2019

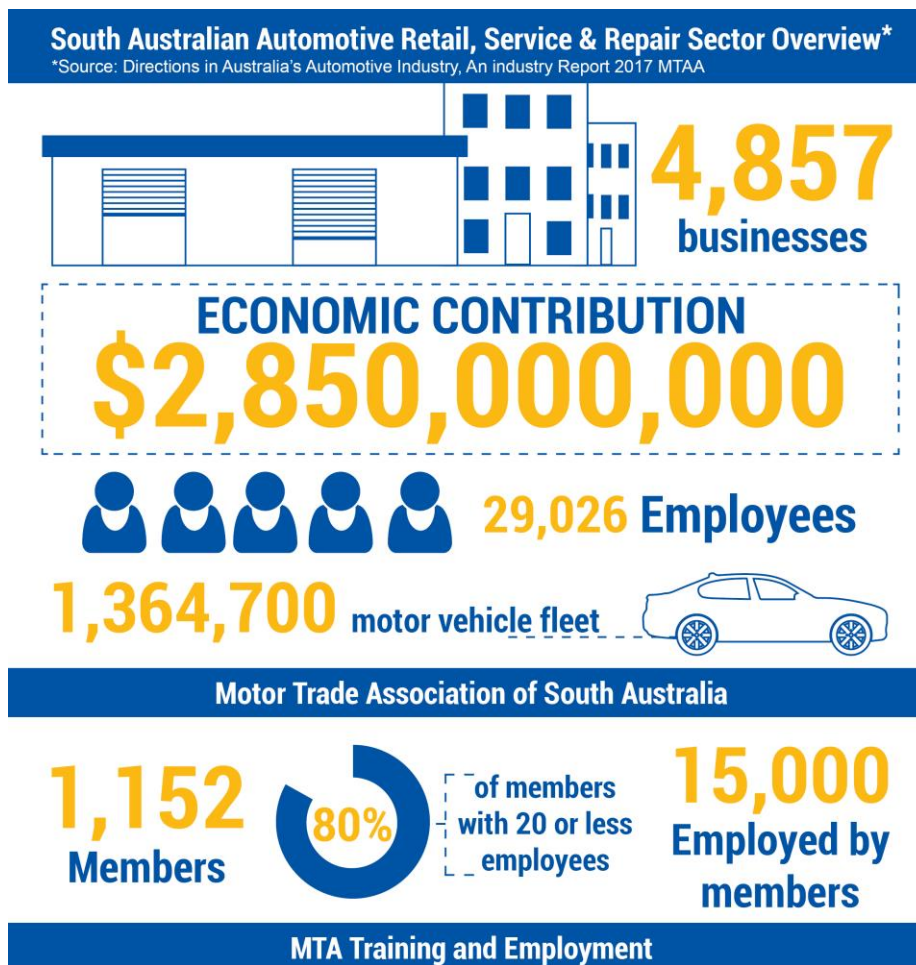
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2. About Us

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

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



We currently have
over **900** apprentices
in training

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

3. Introduction

The MTA notes the Morrison Government's announcement of a consultation process for a review of the National Skills Needs List, which identifies trades experiencing a skills shortage.

The MTA welcomes the opportunity to provide comments on the Department of Employment, Skills, Small and Family Business's Issues Paper: *Review of the Australian Apprenticeships National Skills Needs List*, and understands that responses will be used to establish an agreed set of design principles for a replacement methodology for the National Skills Needs List.

In particular, it is noted that the central focus of the review is the methodology with which occupations in skills needs are identified and prioritised for the purpose of targeting apprenticeships incentives and payments.

Furthermore, that the scope of the methodology will encompass eligibility for all Australian Government skills shortage apprenticeship payments, including the Additional Identified Skills Shortage (AISS) payment.

Prior to the release of the Issues Paper, the MTA contacted the Department of Employment, Skills, Small and Family Business raising our concerns regarding the lack of automotive trades included for AISS payments. Relevant content contained in the MTA's previous email correspondence regarding the trades identified as part of the AISS is included as an Appendix to this submission, and forms part of the MTA's response to the matters raised in the Issues Paper.

4. MTA Response to Discussion Questions

1. Do you agree with the identified issues with the NSNL as it currently operates?

The MTA agrees that the NSNL is not representative of skill shortages in occupations for which an apprenticeship is an entry pathway to the occupations.

The current methodology underpinning the NSNL does not properly take account of the time taken to deliver skilled workers through the apprenticeship system. The MTA agrees that the current methodology is backward looking, resulting in the possibility that funding for skills incentives is poorly targeted.

However, in its role as a Group Training Organisation (GTO), the MTA submits that the design and implementation of a new forward-looking system would need to ensure that the value of GTO's in delivering ongoing quality apprentice employment opportunities is not undermined due to the

removal of funding elements that are currently used to offset host charge out rates.

2. What evidence or examples can you highlight in support of your position?

The value of group training organisations in the employment and hosting of apprentices and trainees is best summed up by a report entitled *Group Training in Australia: A study of group training organisations and host employers*¹. The report found that:

- Group training appears to complement other training investment rather than substitute for it (that is, without group training less training would occur).
- Group training companies are highly adaptive and responsive to their policy and commercial environment.
- Host employers, in the main, are very satisfied with the services provided by group training companies.
- The main reasons for employers using group training are, in descending order of importance: savings on recruitment and selection; avoidance of administrative complexity; saving on employment costs; and lack of continuous work.
- Government attempts to increase labour market participation of equity groups through group training have proved to be relatively successful.

According to the National Apprentice Employment Network (formerly Group Training Australia), across metropolitan, rural, regional and remote Australia, the network employs some 25,000 apprentices and trainees in a diverse range of industries.²

<https://naen.com.au/>

Furthermore, as reported by the National Centre for Vocational Education Research (NCVER) in their report "*Highlights of the NCVER December Quarter 2018 - Australian Apprenticeships Statistics for Australia*", in the 12 months to 31 December 2018, there were 259,385 apprentices and trainees in training.³

Given the above statistics, the strength of group training is that nationally it employs close to 10% of all apprentices and trainees. In South Australia, there were 15,435 apprentices and trainees in training measured at the December Quarter 2018. Of these 3,000 were employed by GTO's or just fewer than 20% of the total market.

¹ <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/group-training-in-australia-a-study-of-group-training-organisations-and-host-employers>

² <https://naen.com.au>

³ <https://www.aapathways.com.au/getattachment/insiders-advisers/news/Australian-Apprentice-and-Trainee-Statistics-Summa/Annual-Aust-Apprenticeships-Summary-Statistics-Dec-2018.pdf.aspx?lang=en-AU>

3. Are there other issues with the NSNL that should be considered?

It should be considered that there are industries that have a persistent long-term skills shortages and the creation of a dual phase incentive model (that is, a model that has a primary phase that maintains incentives for industries operating in long-term persistent skills shortage conditions, and has a secondary phase to offer incentives for industries that roll in and out of skills shortage demands) may have the benefit of consistent incentive funding allocation assisting those industries and training providers to make future plans and budget commitments. Alternate incentive modelling could apply to industries with fluctuating skills demand.

The construction of and methodology used to create new NSNL incentive models and the collection of critical data should include Industry Employer Associations.

Critical analysis and comparison of regional and metropolitan skills needs reflected in incentive allocations should also be considered.

4. Are the design principles outlined in this section the right ones for a methodology to identify occupations in skills shortage and to allocate apprenticeship incentives?

The MTA agrees with the design principles proposed to guide the new approach to determining how apprenticeship incentives are targeted to address skills shortages in the economy. Particularly the need for a flexible approach.

5. Are there other design principles that should be considered? If so, please describe them and outline the rationale for their inclusion?

The MTA submits that consideration should also be given to the geographical requirements of skills needs.

Apprentice employment costs and training delivery costs are generally higher in regional areas, and accordingly incentives should reflect geographical challenges.

6. Which of the design principles would you rank as being of greatest importance?

Design Principle 3: The methodology should be responsive to changes in skills shortages; and

Design Principle 6: The methodology should prioritise outcomes that deliver the greatest social and economic benefit.

7. Do you agree that a single coherent approach should underpin the identification of occupational skills shortages? If not, what is/are the alternative/s?

The MTA is of the view that a *one size fits all* approach will support traditional trades, but will not address niche or emerging industry skills needs.

Accordingly, there will need to be a coexistent model that is a flexible complimentary model with a specific purpose of incentives for emerging niche market needs while supporting traditional trades.

8. What timeframe into the future should be used when identifying occupational skills shortages for the purpose of targeting skills shortage incentives? Why?

Determining timeframes is very difficult and is probably best done annually based on economic data and intelligence gathered on industry environmental changes demonstrating trends with shifts in employment and capital investment expenditure.

9. What are the key limitations, if any, of a forward looking methodology? How can these be addressed or managed?

The MTA believes that a key limitation in a forward looking methodology will be gaining credible and authentic environmental data indicating skills needs.

This limitation could be managed via the use of broad based economic modelling designed with critical triggers measured against multiple consulting agencies. A review council could also be put in place, with delegates made up of industry employer groups and government making informed decisions with data accrued from leading accounting firms, industry economic environmental studies and data from the centre of economic studies to determine the spread of incentive spending for NSNL.

10. Are the core components of a possible forward looking methodology outlined above appropriate? If not, why and what are the alternatives?

The MTA is of the view that the core components of a possible forward looking methodology outlined in the Issues Paper are appropriate.

11. Are there objective means of assessing skills shortages in small and emerging occupations for which there is no primary data?

Skills shortages in small and emerging occupations could be assessed by conducting Industry Association environmental scans and undertaking consultation tethered to monitoring changes in GDP for an economic position.

12. Do you agree that the skills shortage methodology should be updated annually?

Yes.

13. Should the occupational skills shortage list be updated with the same frequency? If not, why not?

Yes.

14. What is the right balance between transparency and flexibility? How might a formulaic approach to identifying skills shortages be made more flexible without compromising transparency?

Key to this concept will be consultation with industry. It could be said that a failure in the current methodology is that the determination of any incentive funding spread appears to be made solely by government decision makers and lacks transparency.

Industry consultation and decisions made with the best market intelligence between industry and government will build transparency utilising a flexible approach.

15. Do you agree that eligibility for skills shortage incentives over the life of the apprenticeship should be determined at the commencement of the apprenticeship?

Employers and apprentices should have an indication of expected incentives and an expectation that over the life of the apprenticeship the amount to be received should be no less than that determined at the commencement of the apprenticeship. Additionally, there should be the possibility of increased incentive payments if the economic and social value of a skill increases over time.

16. Would volatility in the availability of skills shortage incentives impede their uptake? If so, what type of stabilising mechanism would help to address this issue?

Yes, volatility in the availability of skills shortage incentives would impede their uptake. The key here is that it's not just uptake that needs to be considered, but also ongoing employment.

Employers committing to commencing an apprentice while NSNL incentives are available should be entitled to those incentives until the completion of the Contract of Training (CoT). A reduction in incentive payments because the trade is no longer on the NSNL may have an adverse reaction by employers cancelling CoTs creating unemployment.

17. How far in advance of the effect date should changes in the skills shortage list be announced, given the need to balance business planning and distortions to commencement patterns?

The MTA believes that there should be a minimum announcement period of three months to allow for business planning, and maximum six months, so as to avoid distortions to commencement patterns.

18. What criteria should be used to target apprenticeship incentives to deliver the greatest economic and social benefit?

The MTA recommends that the following criteria should be used:

1. Entry into an industry should be by an apprenticeship contract of training;
2. Regional loading based on employer post code (GTOs to nominate host employer post code);
3. Tiered incentive payments determined by industry - value measured against GDP indicators;
4. Tiered incentive payment - for the creation of new employment positions – replacing previous employees; and
5. Annual incentive payment for employer based on current or relevant new payment scheme paid over 4 years instead of the current commencement and completion payments.

19. What type of occupational analysis should be undertaken in support of the objective of addressing skills shortages in apprenticeship-based occupations?

The MTA recommends that the following occupational analysis should be undertaken:

1. Determine occupations suffering immediate skills shortages;
2. Determine occupations suffering past and future skills shortages;
3. Determine through industry analysis medium term skilled trade labour shortage by trade and geographic locations;
4. Determine occupations that demonstrate an immediate social and economic benefit connected to small-to-medium enterprises (SME's) in all jurisdictions; and
5. Determine the number of potential commencements per occupation – or interested participants.

5. 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.

6. Submission Contact

Please do not hesitate to contact the MTA, should you require any further information in relation to the content of this submission.

In the first instance, please contact:

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08 8291 2000

7. Appendix

Email dated 18 April 2019 from the MTA to the Prime Minister's Office and the Department of Foreign Affairs and Trade regarding AISS Payments

... the Additional Identified Skills Shortage (AISS) payment and introduction of two new regional provisional visas will help with the skills shortage.

However, the AISS payments for employers will not apply to 7 out of the 8 automotive trades currently listed on the National Skills Needs List, with only Vehicle Painters currently identified as part of the AISS.

The MTAA prepared a national industry scan, *Directions in Australia's Automotive Industry, 2017*, which provided a shortage of qualified labour and the shortage for the eight skills listed on NSNL can be found below:

National Skills Needs List	16/17 National Shortage	18/19 Projected National Shortage	SA Shortage
Automotive Electrician	1,530	1,749	88
Diesel Motor Mechanic	1,973	2,256	208
Motor Mechanics (General)	12,943	14,799	712
Motorcycle Mechanic	234	268	11
Panel beater	2,304	2,634	115
Vehicle Body Builder	149	70	13
Vehicle Painter	2,320	2,653	105
Vehicle Trimmer	126	144	N/A
Total	21,579	24,573	1,252

We have received information from the Government that the Department of Jobs and Small Business has developed the shortlist of ten occupations eligible for the AISS on the following basis:

- the occupation is currently in national skills shortage as determined by the Department of Jobs and Small Business skills shortage research; and
- the occupation has an Australian Apprenticeship as the main pathway through which skilled workers enter the occupation; and
- the occupation is assessed as facing a potential shortage of qualified workers over the next five years.

According to figures from NCVET from the September 2018 quarter, many more apprentices are commencing a Light Vehicle Technician apprenticeship

than nine of the 10 occupations listed on the AISS (Plumbing is higher and Hairdressing is close).

According to figures from the Department of Jobs and Small Business in their Labour Market Information Portal, the internet vacancy index (IVI) shows the following vacancies the ANZSCO for the automotive industry for February:

ANZSCO Code	ANZSCO title	State	Feb-19
3212	Motor Mechanics**	AUST	2460
3211	Automotive Electricians	AUST	302
3241	Panelbeaters	AUST	120
3242	Vehicle Body Builders and Trimmers	AUST	28
3243	Vehicle Painters	AUST	13

** ANZSCO title also includes Diesel mechanics among others.

The IVI shows the following vacancies the ANZSCO for the 10 eligible occupations for AISS payments for February:

ANZSCO Code	ANZSCO title	State	Feb-19
3312	Carpenters and Joiners	AUST	714
3341	Plumbers	AUST	709
3622	Gardeners*	AUST	630
3911	Hairdressers	AUST	494
3421	Airconditioning and Refrigeration Mechanics	AUST	417
3511	Bakers and Pastrycooks	AUST	317
3311	Bricklayers and Stonemasons	AUST	80
3334	Wall and Floor Tilers	AUST	50
3332	Plasterers	AUST	44
3243	Vehicle Painters	AUST	13

*Arborist is not a specific ANZSCO title

As discussed, the MTA is concerned that other automotive trades are not able to receive the AISS payments for apprentice commencements especially Light Vehicle Technician, Diesel Mechanic Technician, Panel Beater and Automotive Electrician.

The data for the IVI in this email came from this webpage:
<http://lmip.gov.au/default.aspx?LMIP/VacancyReport>

According to the aforementioned Department:

“The IVI is the only publicly available source of detailed data on online vacancies, including for around 350 occupations (at all skill levels), as well as for all states/territories and 37 regions. The IVI is based on a count of online job advertisements newly lodged on SEEK, CareerOne and Australian JobSearch during the month. As such, the IVI does not reflect the total number of job advertisements in the labour market as it does not include jobs advertised through other online job boards, employer websites, word of mouth, in newspapers, and advertisements in shop windows. The IVI also does not take account of multiple positions being advertised in a single job advertisement.”

Email dated 3 May 2019 from the MTA to the Prime Minister's Office, the Department of Foreign Affairs and Trade and the Department of Employment, Skills, Small and Family Business regarding AISS Payments

...As you know, the MTA (and our National body, the MTAA) has some concerns that automotive trades other than just vehicle painter have not been included for AISS payments. We are thankful that Vehicle Painters have been included, but all automotive trades on the National Skills Needs List (Motor Mechanic (general), Diesel Motor Mechanic, Panel Beater, Automotive Electrician, Motorcycle Mechanic, Vehicle Body Builder, and Vehicle Trimmer) are suffering a shortage of skilled labour and would benefit from the new incentive to hire an apprentice and commence an apprenticeship.

In reviewing the information provided and from other sources, I hold several concerns as to why some of the aforementioned trades have been excluded.

For a number of years, the Federal Government through Auto Skills Australia, the Automotive Industry's Skills Council, had produced an Industry Environmental Scan annually. When funding for this initiative ceased, the MTAA decided to produce its own industry scan using the same methodology and developed *Directions in Australia's Automotive Industry, An Industry Report 2017*.

This report (attached) provided information on current and future projections for employment, skills shortages, business numbers and many other metrics on a State and National level. In the discussions with the Department it was mentioned that this document was not used in the assessment of automotive trades as to whether they were facing a potential shortage of qualified workers over the next five years.

Discussions with the Department also mentioned that a key reason why Motor Mechanic and Diesel Mechanic were excluded was because of analysis of the Occupational Projections provided by the Department for Jobs and Small Business through their Labour Market Information Portal. This information indicated that between May 2018 and May 2023, there would be a fall in the employment level for the Occupation 'Motor Mechanics (which also includes Diesel Mechanics)'. The *Directions in Australia's Automotive Industry, An Industry Report 2017* also indicated that there will be a small fall in the projected employment number of these occupations.

However, it does not appear that a few areas were taken into account when looking whether automotive businesses will be facing a potential shortage of qualified workers over the next five years.

Automotive businesses are currently facing a shortage of Motor Mechanics and Diesel Mechanics. The *Directions in Australia's Automotive Industry, An Industry Report 2017* reported a national shortage of 12,943 Motor Mechanics and 1,973 Diesel Mechanics in 2016/17. This was projected to rise to 14,799 Motor Mechanics and 2,256 Diesel Mechanics by 2018/19.

The 2018 Employment Projections for Occupation projections shows Motor Mechanics (ANZSCO code 3212) (which also includes Diesel Mechanics) projected employment level to fall by 2,000 positions between May 2018 and May 2023. This does not appear to take into account the shortage of skilled labour that the industry is currently experiencing. I do not have any figures which represent the level of skill shortage prepared by the Government though the *Directions in Australia's Automotive Industry, An Industry Report 2017* had predicted a shortage of over 17,000 positions as at 2018/19.

However, in the Labour Market Analysis of Skilled Occupations, the Government has identified a shortage of Motor Mechanics in all States and Territories except Queensland and a skilled shortage of Diesel Mechanics in all States except Queensland and the Territories were listed as 'cannot rate'.

Another reason given for the exclusion of Motor Mechanics and Diesel Mechanics was the strong commencements of apprentices providing a strong supply of Labour into the market. This should be treated carefully as retention of apprentices to ensure they complete their apprenticeship can be difficult (particularly with the cut to industry specific mentoring in the budget which has been a resounding success for the MTA in South Australia).

In 2014, Alice Bednarz, from the National Centre for Vocational Education Research said ['approximately half of all apprenticeship contracts in the trades are not completed'](#) with Automotive and engineering trades workers given an individual completion rate of 58 per cent.

The MTAA has not been contacted nor to our knowledge have any automotive businesses in the creation of the 2018 Employment Projections. This is important to note for the interests of accuracy, but also due to the increase in qualified staff moving to other areas such as the mining sector, which due to the forecast improvements in commodity prices has already started to 'poach' qualified Motor Mechanics and Diesel Mechanics to work on their operations, not necessarily in their direct area of expertise. This only further reduces the 'supply' of labour that is available for automotive businesses as qualified labour work outside their initial area of expertise.

When evaluating the Panel Beater occupation, the Department indicated that Panel Beaters were assessed negatively as an Australian Apprenticeship was not the only pathway through which skilled workers enter the occupation. This was a surprise to me, and therefore I have discussed this with the national Chair of the Body Repair industry body, AMBRA and he indicated that this is not the case. An Australian Apprenticeship is main pathway through which skilled workers enter the Panel Beating profession.

The Department also indicated that the unprecedented level of Government investment into Defence in shipbuilding in South Australia had not been taken into account. This is of concern as the planning to build the new generation of Submarines and Frigates includes the hiring of many trade qualified people, particularly those with engine and welding experience, skills which are held by

Motor Mechanics, Diesel Mechanics, Panel Beaters and Automotive Electricians.

The new Defence projects are expected to hire thousands of people over the next few years also reducing the supply of apprentices for the duration of these projects and future defence projects.

Potentially the decision to have reduced expectations for the automotive industry has been a conscious or unconscious decision to include factors related to the manufacturing of vehicles which no longer occurs in Australia.

In South Australia, there had been significant press and political comment about the death of the automotive industry with Holden closing manufacturing in October 2017, however, it is estimated that the manufacturing and associated industries only represented 20 per cent of the automotive industry in South Australia and skill set for manufacturing was very different than that of a Mechanic, Diesel Mechanic, Automotive Electrician or Panel Beater.

Contrary to much reporting, the automotive industry is still here and still going strong.

There were very few staff at Holden who were qualified as Mechanics, Diesel Mechanics, Automotive Electricians or Panel Beaters and as such Holden's closure did not assist with helping to increase the supply of skilled labour to the remaining 80 per cent of the automotive industry who are crying out for qualified labour.

Any help that you can provide to have additional automotive occupations added AISS payments list before May 18 would be greatly appreciated. Thank you again for your help with this.