

3 August 2018

Future Employment Services Consultation
Active Labour Market Assistance Branch
C10MT4
Department of Jobs and Small Business
GPO Box 9880
CANBERRA ACT 2601

Via consultation hub

This submission is provided as a public submission.

**Submission by the Motor Trades Association of Australia Limited (MTAA) into the
introduction of the Master Industry Code of Practice**

Dear Future Employment Services Consultation Team,

MTAA appreciates the efforts by the Department of Employment (the Department) to develop the next generation of employment services and to consult with stakeholders. MTAA also appreciates the opportunity to present an automotive industry endorsed policy position on future employment services.

MTAA is the peak Australian automotive trades association and represents the interests of its State and Territory jurisdictional associations. Many of these associations are Registered Training Organisations (RTOs) and deliver a multitude of automotive training programs including apprenticeships and specialized automotive post trade training programs. Representatives from MTAA and its state associations are also involved in curriculum development and assessment and evaluation at national and state levels.

MTAA advocates for employment services that assist job seekers find suitable employment and ongoing careers opportunities and gives employers access to applicants with the motivation and skills to become productive employees. MTAA also campaigns for employment services to promote careers in specific industries with skills shortages and high consumer and business demand for products and services provided; such as the automotive industry.

MTAA represents many of the 69,365 retail motor trades businesses which employ over 379,365 Australians and contributed \$37.1 billion to the Australian economy in 2015/16; which equates to 2.2% of Australia's GDP. Currently, the profitability of the automotive industry and its associated sectors (i.e. motor body repair, light and heavy vehicle repair, fuel, motorcycle and farm and industrial equipment retailing, motor vehicle dismantling and recycling, etc.) are undermined by a shortage of over 35,000 skilled workers.



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MTAA campaigns for increased synergy and collaboration between future employment services and the automotive industry to optimise the potential employment of suitable applicants who wish to develop a career in the automotive industry.

This submission is provided in support of MTAA's responses to the questions posed by the Department of education and should be considered alongside any of those that may have been submitted by any of the MTAA Association's Members.

MTAA on behalf of its State and Territory Association Members remain available to assist the Department with any additional line of inquiry related to the employment pathways into the automotive sector.

Please do not hesitate to contact MTAA should you require any additional clarity or further information regarding this submission or more generally.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Richard Dudley".

Richard Dudley
Chief Executive Officer
Motor Trades Association of Australia Limited



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Submission by the Motor Trades
Association of Australia Limited
(MTAA) into the Next Generation of
Employment Services

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Summary of recommendations

- MTAA calls for Government to recognize the skills shortage within the automotive industry.
- MTAA calls for Government to recognize that the automotive industry provides employment opportunity for jobseekers with varying levels of skills and abilities and within multiple industry sectors and professions.
- MTAA advocates for employment services to target specific industries (i.e. the automotive industry) that are essential for the Australian economy and have a shortage of skilled workers.
- MTAA campaigns for employment services to include on line and web-based applications that promote automotive careers and provide information on skills and training requirements and pathways to automotive professions.
- MTAA advocates for industry involvement to develop automotive information and marketing campaigns.
- MTAA calls for a whole of government approach to address skilled shortages within the automotive industry that includes targeted employment services, targeted skills immigration and Government sponsored automotive training and marketing programs.
- MTAA advocates for Government sponsorship of automotive pre-employment training programs that can be delivered by automotive registered training organisations (RTO) and within secondary schools to assist jobseekers and future jobseekers develop the skills to embark on a career in the automotive industry.
- MTAA calls for Government assistance for jobseekers when undertaking pre-employment training for a career in the automotive industry. This assistance includes financial assistance (i.e. payment) and non-financial assistance (i.e. mentoring services).
- MTAA campaigns for financial support for businesses who undertake training and employ staff; particularly unskilled and high risk staff (i.e. long term unemployed or employees from disadvantaged backgrounds).

The Motor Trades Association of Australia

- The Motor Trades Association of Australia (MTAA) is the peak Australian automotive trades association and represents the interests of its State and Territory jurisdictional associations which include: the Motor Traders Association of New South Wales, the Victorian Automobile Chamber of Commerce (incorporating the Tasmanian Automobile Chamber of Commerce), the Motor Trade Association of South Australia, the Motor Trade Association of Western Australia, the Motor Trades Association of the ACT and the Motor Trades Association of the Northern Territory.
- MTAA is intimately involved in automotive training and skills development with most of MTAA Member Associations providing apprenticeships and/or specialized automotive post trade training programs through Registered Training Organisations (RTO) or Government Training Organisations (GTO) or have affiliations with such providers. Representatives from MTAA and its state associations are also involved in curriculum development and assessment and evaluation at national and state levels.

Identifying skills shortages

- In late 2016, the MTAA through the Victorian Automobile Chamber of Commerce and all State and Territory Motor Trades Associations commissioned an in-depth analysis of the state of Australia's automotive industry. In August 2017 '*Directions in Australia's Automotive Industry 2017: An Industry Report*' was released which included the automotive industry's most reliable information on the state of the industry including employment and skills shortages.
- This report was necessary following the cessation of the former Federal Industry Department sponsored Industry Environmental Scans. These were the only whole-of-industry reference material undertaken on a regular basis.
- It was also necessary as MTAA was and remains concerned that other indicators used by Government to identify skills shortages such as job advertisement data is flawed in respect to many automotive professions. For example, in the motor body repair (smash repair) sector, regular advertising for positions largely ceased more than 18 months ago. The sector, with the exception of a few isolated cases has effectively determined that advertising for positions such as vehicle painters is a redundant exercise because of the costs involved, the lack of response and the poor number of resulting candidates who progress through selection to employment.

- MTAA is concerned that it appears erroneous assumptions are being made by Government that because there is little or no advertisements for a profession (a weighted indicator for identifying skills shortages), then there mustn't be a skills shortage and therefore some professions and the automotive industry in general is not receiving the level of Government focus and support required.
- The MTAA and Member Associations '*Directions in Australia's Automotive Industry 2017: An Industry Report*' analysed in far greater detail all sources of data including Australian Bureau of Statistics datasets, external third party data and a statistically significant survey of over 1000 automotive industry businesses nationwide. Much of the information contained in this submission is extracted from this report.

The Australian automotive industry

- The Australian economy relies extensively on the Australian automotive industry with over 91% of all Australian industries utilizing the goods and services of the automotive industry as intermediate inputs towards the value of their own production¹.
- MTAA represents many of the 69,365 retail motor trades businesses which employ over 379,365 Australians and contributed \$37.1 billion to the Australian economy in 2015/16; which equates to 2.2% of Australia's GDP².
- The Australian automotive industry plays a key role in retailing, servicing, repairing and disposing of the 18.4 million vehicles registered for Australian Roads (January 2016). The national fleet is currently growing at approximately 2.1% annually which equates to approximately 380,000. 800,000 vehicles are removed from Australian Roads annually which illustrates the importance of the Australian automotive dismantling and recycling industry on Australia's environment³.

¹ Motor Trades Association of Australia (2017) *Directions in Australia's Automotive industry: An industry report 2017*, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 16)

² Motor Trades Association of Australia (2017) *Directions in Australia's Automotive industry: An industry report 2017*, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 16)

³ Motor Trades Association of Australia (2017) *Directions in Australia's Automotive industry: An industry report 2017*, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 6)

- The Australian Automotive industry is also going through a period of unprecedented change and structural adjustment as advanced automotive technology is introduced (i.e. electric vehicles, autonomous driving aids, composite and plastic manufacturing methods, etc.).
- The demand for Australian automotive products and services is growing across a variety of industry sectors including: automotive repair and maintenance, motor vehicle retailing, motor vehicle and parts wholesaling, motor vehicle parts and tyre retailing, fuel retailing, towing services, passenger car rental and hiring, agricultural and industrial machinery retailing and repair, automotive dismantling and recycling, bicycle retailing, marine retailing etc.
- The Australian Automotive industry will remain a key employer of Australians across a broad spectrum of industry sectors and within a variety of businesses. It will also provide employment for a variety of professions with varying levels of skills, knowledge and training and certification requirements.
- The following table is an economic summary of the value of Australian automotive industry (and its specific sectors) in 2015/16. It illustrates the scope of the Australian automotive industry, the financial contribution of the Australian automotive industry and the employment it provides.

ANZSIC CODE	INDUSTRY SECTOR	EMPLOYMENT (No.)	BUSINESSES (No.)	INDUSTRY VALUE ADDED (\$m)
941	Automotive Repair and Maintenance	142,632	37,406	9,452.7
391	Motor Vehicle Retailing	66,002	5,752	7,707.1
2311,2312, 2313, 2319	Motor Vehicle & Parts Manufacturing	43,627	3,054	3,826.1
400	Fuel Retailing	34,728	4,136	2,851
392	Motor Vehicle Parts & Tyre Retailing	28,295	4,288	2,211.9
350	Motor Vehicle & Parts Wholesaling	22,081	5,282	5,871
2399, 2462, 2491, 2461	Other Specialised Machinery and Equipment Manufacturing	11,500	849	1,900
6611	Passenger Car Rental & Hiring	7,997	1,624	1,705
4231, 9429	Outdoor Power Equipment	4,670	1,290	250
4245, 9429	Marine Equipment Retailing	3,365	829	219
4241	Bicycle Retailing	4,500	987	950
4610	Towing Services	3,052	2,465	203.8
9429	Agricultural Machinery Retailing and Repair	6,916	1,403	N/A
	TOTAL	379,365	69,365	37,148

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⁴ Motor Trades Association of Australia (2017) Directions in Australia's Automotive industry: An industry report 2017, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 18)

Employing staff

- Although demand for automotive products and services are increasing, the automotive industry is faced with a number of challenges that adversely affects the ability of automotive businesses to employ staff including:
 - *High levels of competition:* The Australian automotive industry is the most competitive right-hand-drive market in the world with over 60 makes and 400 model variants on offer. This results in high levels of capital investment to obtain the knowledge, skills and equipment to repair and service multiple makes of vehicles.
 - *Low levels of profitability:* In comparison to other industries, the automotive industry has a low return on investment (commonly between 0.5 and 4.0%) and profitability. This is regardless of the high levels of capital investment (e.g. the purchase of floor stock, need for specialised diagnostic equipment, specialised training requirements, etc.).
 - *Small capital base:* 96.5% of Australia's automotive businesses are small and family owned enterprises with almost half having a reported turnover of between \$200,000 to less than \$2 million and have limited motivation of ability to grow their business.
 - *High costs of labour:* Due to skills shortages (see section below) staff are able to demand high wages which decreases the ability to invest in training as training requires the reallocation of productive labour resources.
- As a consequence of the above, many automotive businesses do not have the ability to invest in training or to employ new staff; particularly unskilled staff or staff that may be at high risk of leaving their employment.
- Many automotive businesses are unlikely to invest the resources required to advertise through Government employments websites (i.e. Jobs active) due to perceived low quality and unskilled applicants. In fact many automotive businesses have ceased advertising for employees due to the lack of skilled workers available in the Australian Labour pool.
- There is a perception amongst many automotive businesses that many applicants applying for employment through Government employments services are applying only to maintain their unemployment benefits. These perceptions are commonly perpetuated through the media.

Skills shortages

- The automotive industry is challenged by significant shortages of skilled workers with 45.7 % of automotive businesses experiencing the effects of a combined skilled shortage of 35,083 workers in 2018⁵.
- The shortage of skilled workers in the automotive industry is likely to remain due to insufficient numbers of automotive apprenticeships and recent changes to Government policies restricting skilled migration, as a temporary solution to critical skills shortages.
- Automotive businesses have also indicated to the MTAA that skills shortages are also a result of school leavers preferring careers in other industries due to a poor perception of careers in automotive trades. This perception is regardless of the skills and training required to work with rapidly advancing technology and often high remuneration.
- Many automotive businesses are concerned that those choosing a career in the automotive industry are doing so as a result of not being accepted elsewhere and often under duress. This results in poor quality applicants who often do not have the learning ability, skills and/or motivation to succeed.
- MTAA advocates for collaboration between industry and Government employment and training services to address this perception and promote the automotive industry through targeted marketing campaigns including on next generation employment services websites and web based applications (apps). MTAA believes that these campaigns will increase the quality and commitment of applicants to seek a career in the automotive industry even if they do not initially have the skills to do so.
- The following table highlights the skills shortages across the Australian Automotive industry. It shows that shortages exist in multiple industry sectors and includes professions requiring various levels of training and accreditation.

⁵ Motor Trades Association of Australia (2017) Directions in Australia's Automotive industry: An industry report 2017, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 24)

SECTOR	Occupation	2016/17 Shortage (No.)	Projected 2017/18 Shortage (No.)	Projected 2018/19 Shortage (No.)
Automotive Repair and Maintenance	Light Vehicle Mechanic	12,943	16,656	14,799
	Vehicle Spray Painter	2,320	2,985	2,653
	Panel Beater	2,304	2,965	2,634
	Heavy Vehicle Mechanic	1,973	2,539	2,256
	Automotive Electrician	1,530	1,969	1,749
	Vehicle Detailer	295	380	337
	Motorcycle Mechanic	234	301	268
	Mobile Plant Mechanic	167	215	191
	Mechanic-Farm Machinery	145	172	186
	Vehicle Trimmer	126	162	144
	Engine Re-conditioner	101	130	115
	Automotive glazier	91	117	104
	Motor Vehicle Retailing	Motor Vehicle Salesperson	2,243	2,886
Motor Vehicle Parts and Tyre Retailing	Motor Vehicle Parts and Accessories Salesperson	785	1,010	897
	Tyre Fitter	718	924	821
	Spare Parts Interpreter	625	804	715
Outdoor Power Equipment	Mechanic- Outdoor Power Equipment	381	491	436
Vehicle Manufacturing -Bus, Truck & Trailer	Vehicle Body Builder	149	110	70
Marine	Marine Mechanic	98	126	112
Bicycles	Bicycle Mechanic	24	31	50
Other	Miscellaneous	125	110	100
Total Shortage		27,377	35,083	31,202

Source: 2016/17 Automotive Industry National Survey; ABS data; modelled estimates.

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⁶ Motor Trades Association of Australia (2017) Directions in Australia's Automotive industry: An industry report 2017, Victoria Automotive Chamber of Commerce, Melbourne Victoria (p. 37)

Government support

- The varying levels of skills, knowledge, training and accreditation required across the automotive industry and in a variety of roles and professions provide opportunity for many job seekers; including those from disadvantaged backgrounds. In fact, many automotive businesses have indicated to MTAA that it is willingness and commitment to learn that is a significant factor that influences potential and ongoing employment; and not necessarily skills and academic ability.

Pre-employment programs

- MTAA advocates that Government employment services acknowledge the shortage of skills for various professions within the automotive industry and develop training packages and employment services that provide clear pathways for jobseekers to develop the skills and capabilities required to begin automotive training or embark on a career in the automotive industry.
- MTAA advocates for Government support and sponsorship of pre-automotive apprenticeship and training programs that assist disadvantaged (and other) jobseekers develop the skills to be ready to undertake an apprenticeship or other automotive training program or to be eligible to undertake less skilled roles within the automotive industry. MTAA suggests that these programs could be automotive specific and conducted in collaboration with automotive RTO's and specific secondary schools.
- MTAA suggests Government sponsor and provide mentoring services and financial incentives to develop the commitment and willingness of jobseekers to complete these programs. By making these programs automotive specific, RTO's have the opportunity to increase student commitment and skills development through exposure to automotive industry activities.
- MTAA suggests that these programs should also be included in curriculums at secondary school so that disadvantaged students are exposed to and provided a pathway to an automotive profession that best suits their learning ability. For example some jobseekers will be unable to complete an automotive apprenticeship but may succeed as a certified tyre fitter.
- MTAA urges the Government to consider sponsoring automotive specific programs for secondary schools that may directly correlate with future employment services. Many schools in the USA successfully include automotive training facilities that promote interest in the automotive industry and deliver graduates that go on to have successful automotive careers.

Targeted marketing

- MTAA believes that Government has a role to promote and market employment within specific professions and industries; particularly industries such as the automotive industry with high levels of skill shortages, high demand for their products and services and a critical impact on the Australian economy.
- MTAA considers government employment services are ideally positioned to develop online and face to face information and training packages that can be targeted to jobseeker and school leavers. The aim of these programs is to incite interest and provide clear pathways of employment, training opportunities and the information on skills required to work in a variety of professions and roles within the automotive industry.
- MTAA also advocates that industry has a role in promoting automotive professions and seeks cooperation between Government and industry to best deliver marketing campaigns promoting employment within the automotive industry. For example, real automotive businesses and RTOs can be used in marketing campaigns to promote automotive employment and training.

Support for business

- MTAA acknowledges that there is cost and risk for automotive businesses when employing staff. Costs are associated with advertising vacancies, assessing resumes, interviewing applicants, providing training and complying with Government requirements (i.e. work cover, superannuation etc.). Risk includes the employee not achieving the required work standards (after training), being absent and negatively impacting business productivity to name just some.
- To address these costs and risks, MTAA seeks Government support and financial incentives for automotive business to employ workers that are considered high risk of leaving their employment (i.e. applicants that have a history of long term unemployment). For example, MTAA advocates for on-going mentoring support for employees from Government employment services. A financial incentive may include increased income support for the employee.
- Although MTAA priority is to increase jobs and training for Australian', it supports short terms skilled immigration to address acute skills shortages within the automotive industry. MTAA believes a condition of immigration could include the provision of training for new employees. Not only could this increase training within the automotive industry but it could be targeted to disadvantaged job seekers from particular cultural back grounds and assist integration into Australian society.

Conclusion

- MTAA acknowledges the complexity for Government and industry to increase employment within the automotive industry.
- MTAA also considers that the automotive industry provides significant employment opportunities to jobseekers of varying skills and levels of ability due the variety of employment roles and professions and the skills shortages within the industry.
- MTAA seeks a whole of government response to addressing skills shortages within the automotive industry that goes beyond developing the next generation of employment services. However, MTAA advocates that Government employment services must play an integral part in enticing jobseekers to develop the capacity succeed within the automotive industry (i.e. developing online industry specific information and marketing packages).
- MTAA advocates for increased collaboration between Government departments, employments services and industry to develop training packages (including pre-employment training) to assist in providing pathways of employment within the automotive industry.

END OF SUBMISSION