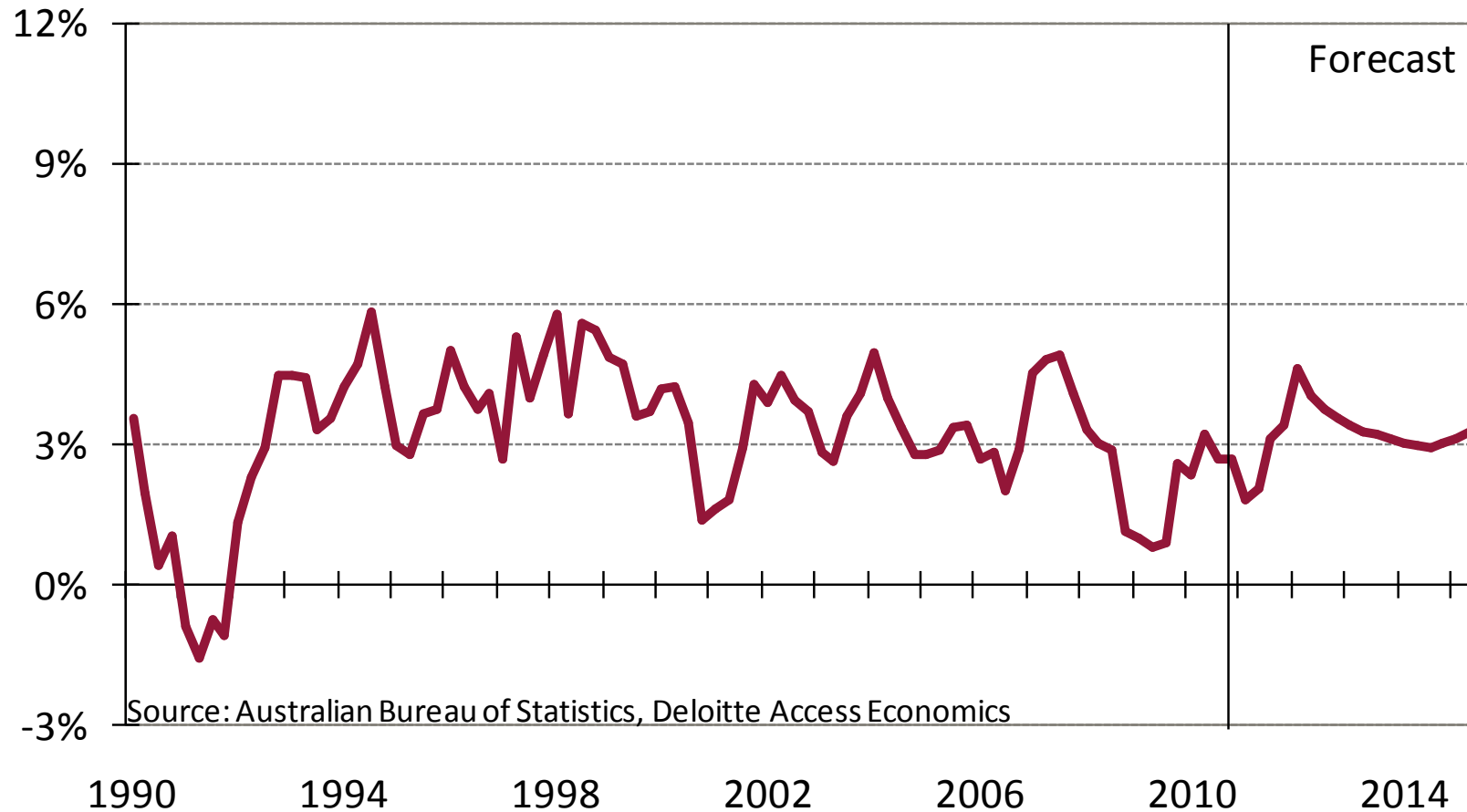


***Victorian Skill Needs in 2011***  
**Skills Victoria**

**Deloitte Access Economics**  
**4 April 2011**

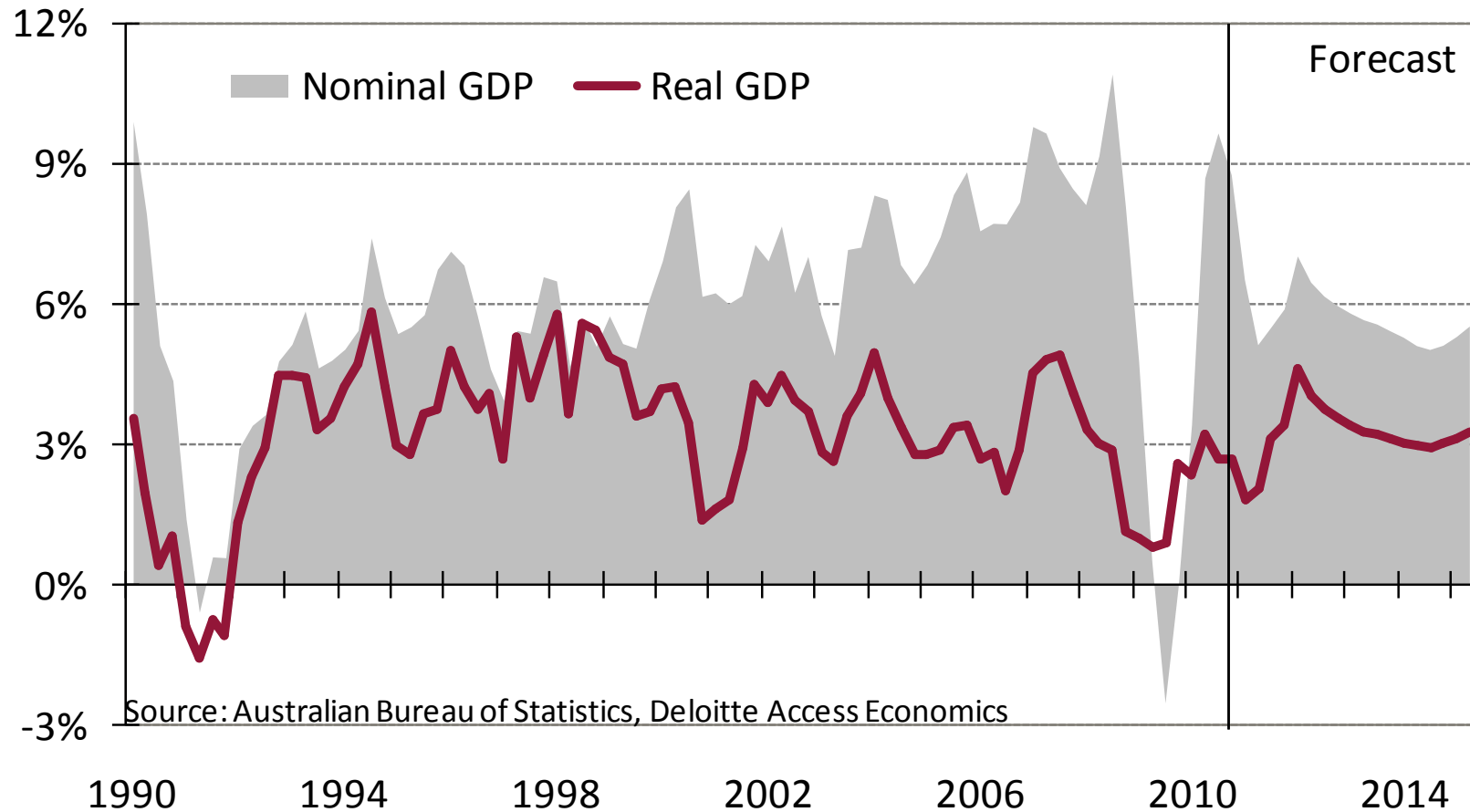
# Australia's growth recovery will continue

Australian output growth  
Change on year earlier

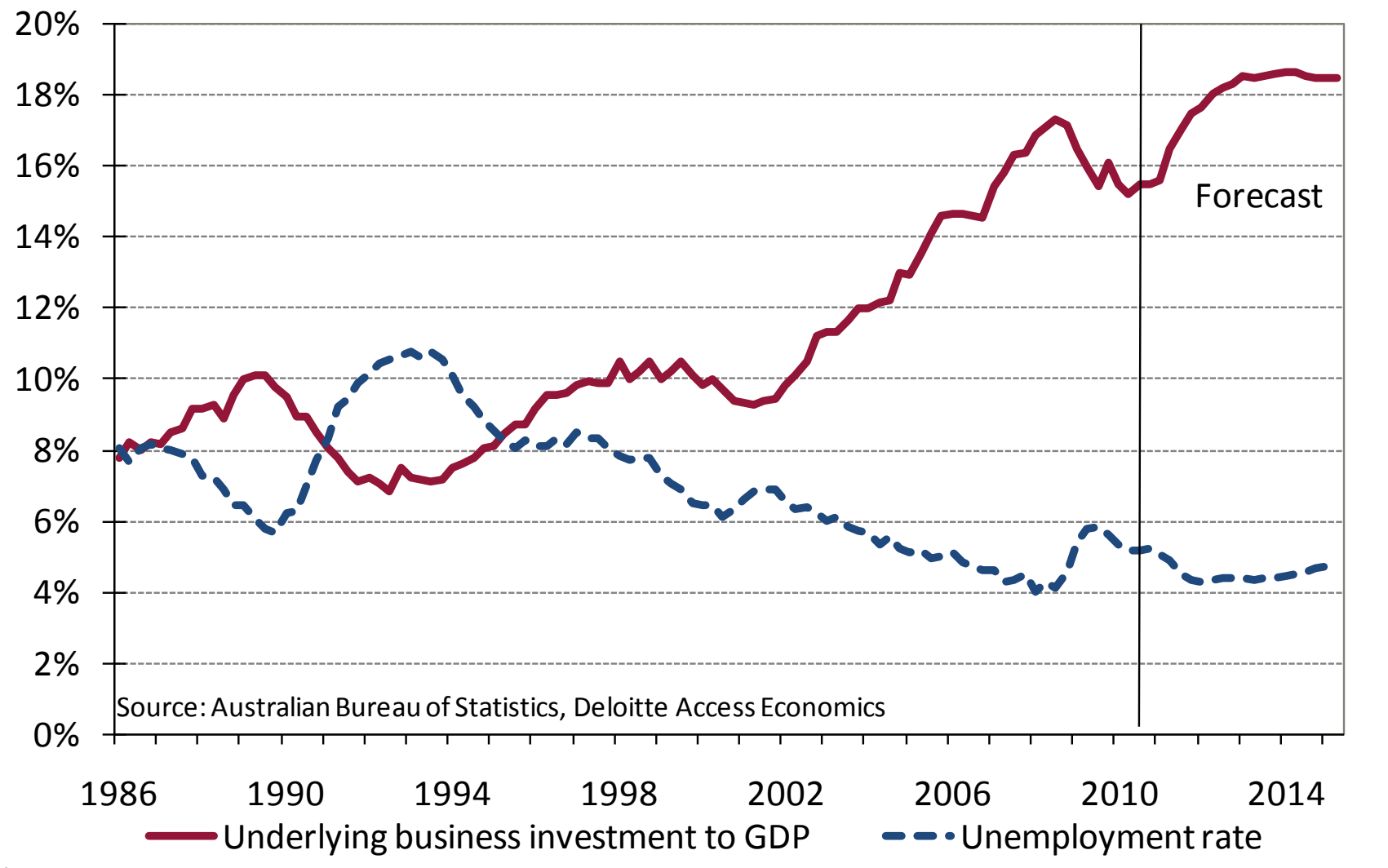


# With China's boost to our income vital

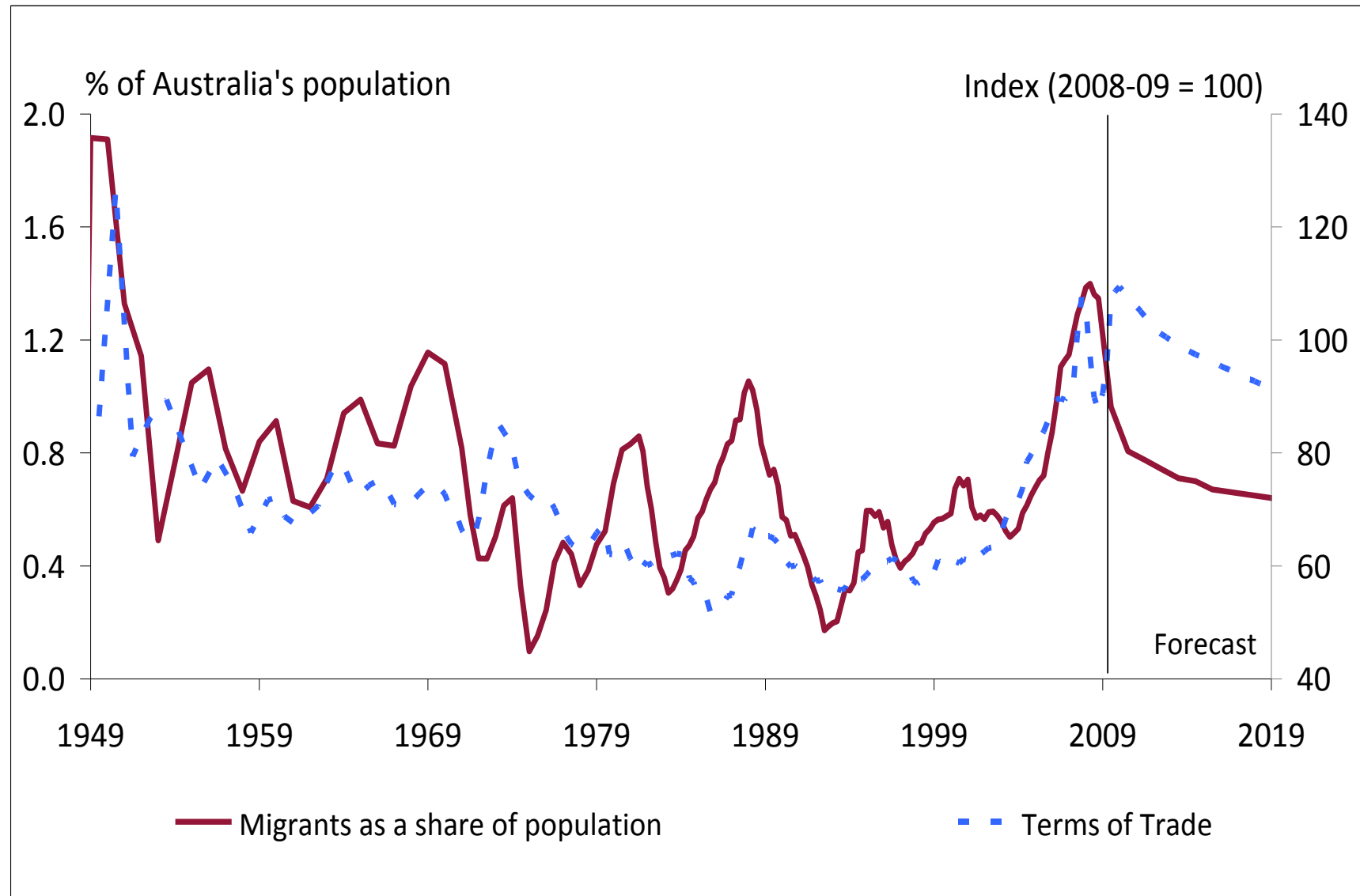
Change on year earlier



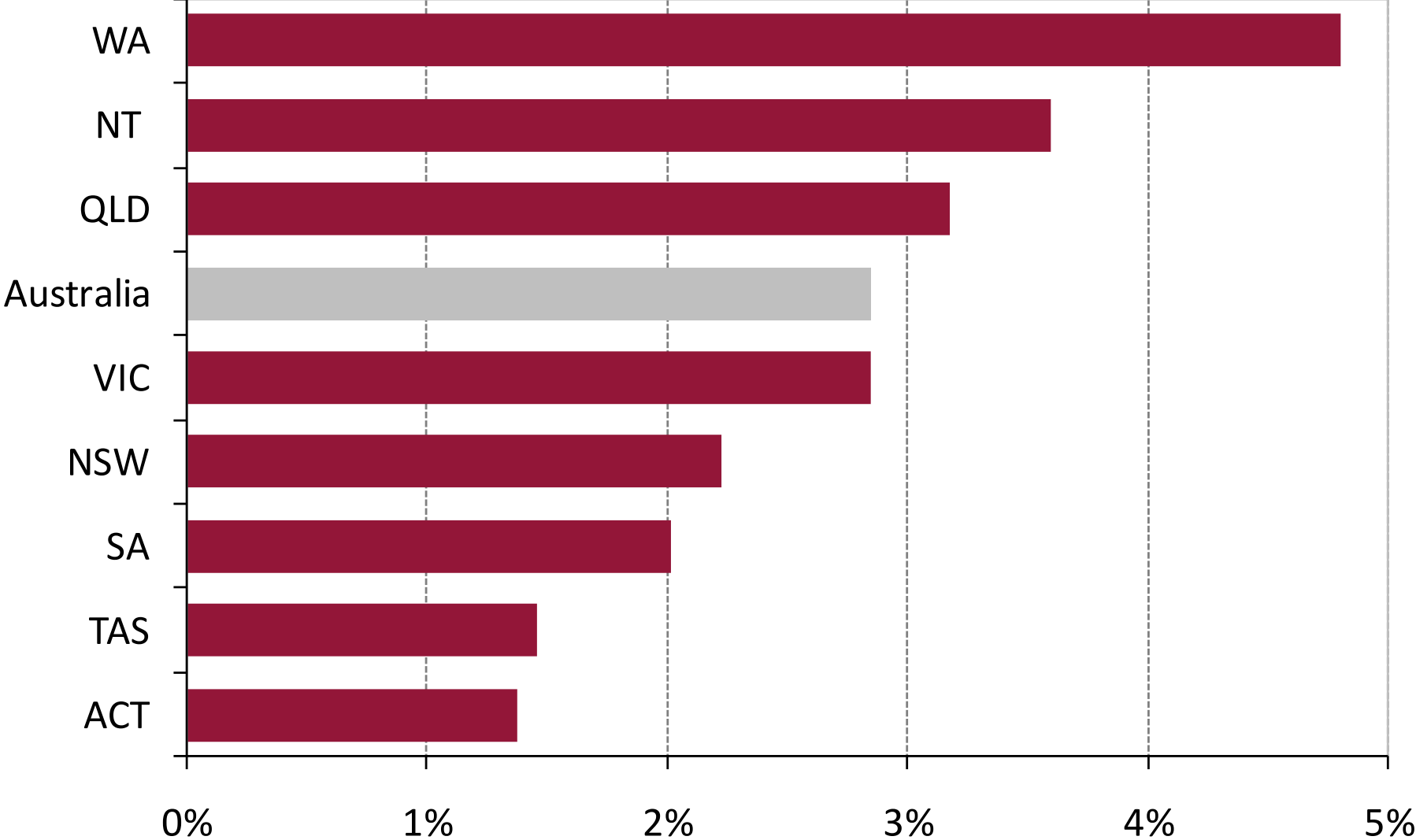
# ...pushing along business investment



# ... but we're breaking 'the Migration Equation'



# State output growth chart (calendar 2011)



Source: Deloitte Access Economics

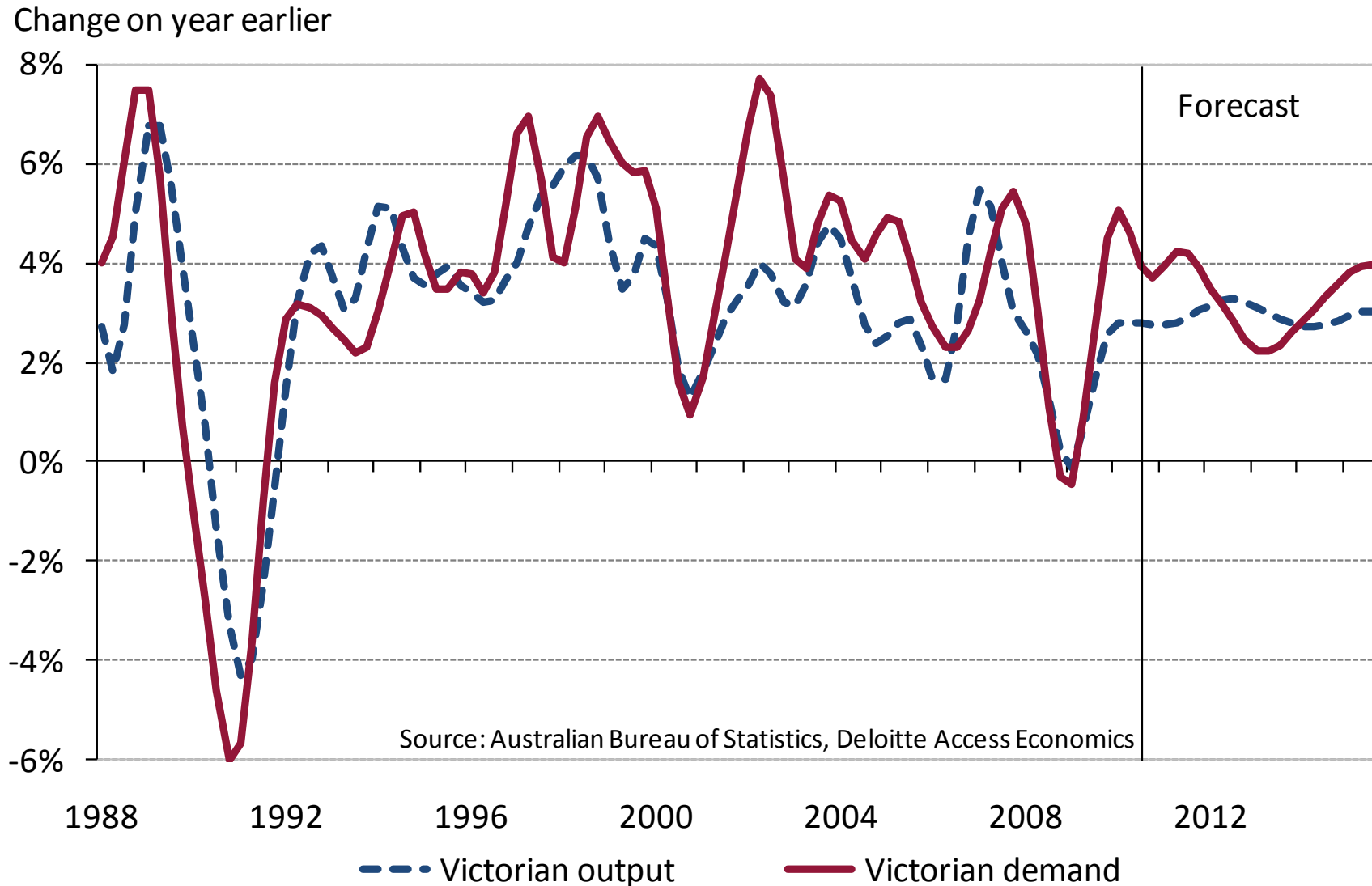
# Victoria's outlook – first, the good news...

- **Victoria has been one of the steadiest performers of the past decade, and its solid performance hasn't finished.** Both families and businesses are spending, and this looks set to continue over the next few years.
- The other good news is that **the slowdown in Victorian population growth is more modest than its national equivalent.** Not only is Victoria's population growing faster than Australia's, but that gap is still widening.

## ...now, the bad news

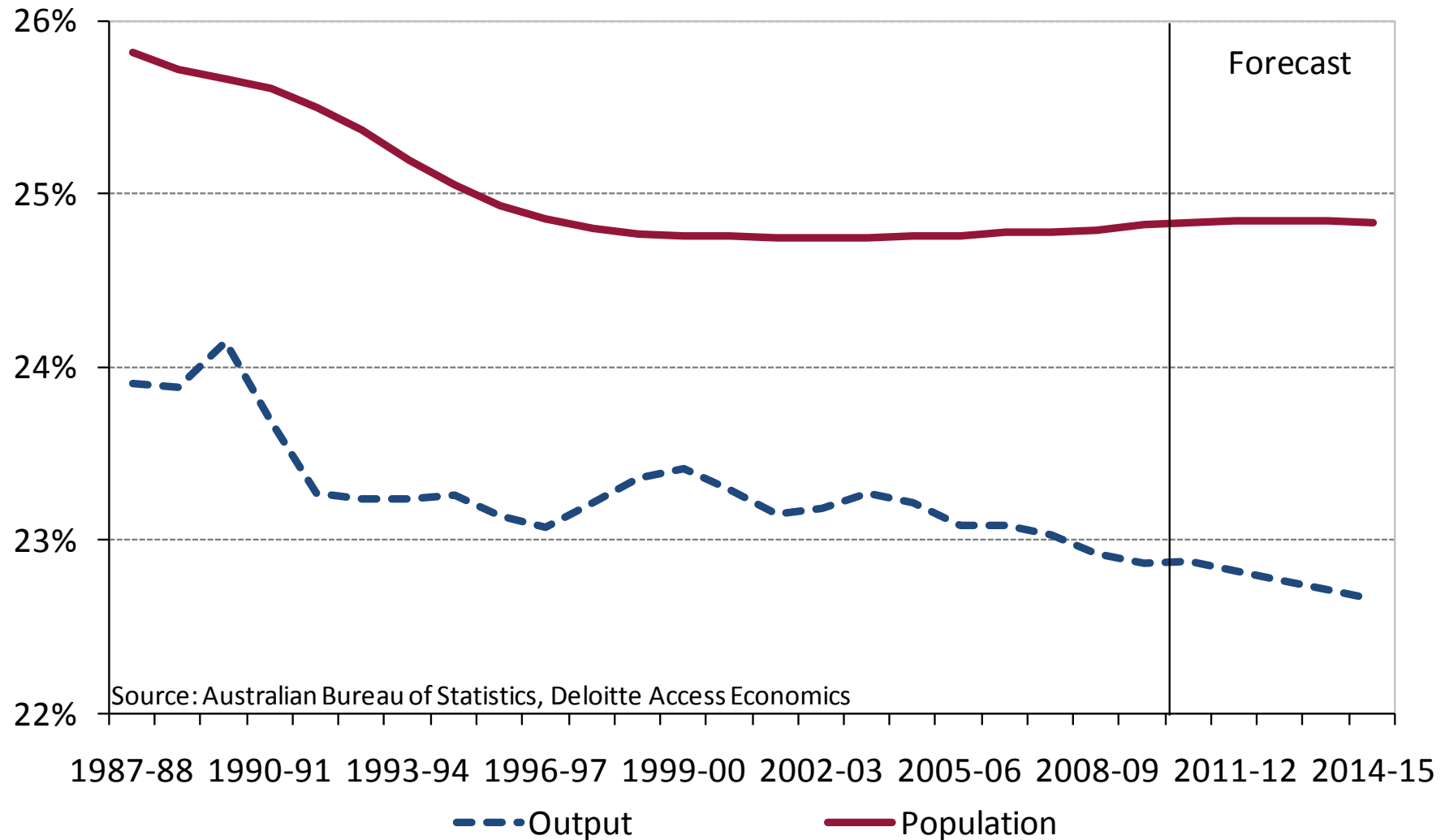
- Much of Victoria's success in recent years has been built on excellent population growth.
- **The risk that this driver goes missing over the next few years may prove to be a key medium term negative across a range of sectors.**
- Watch developments in international education numbers.

# Victorian output and demand

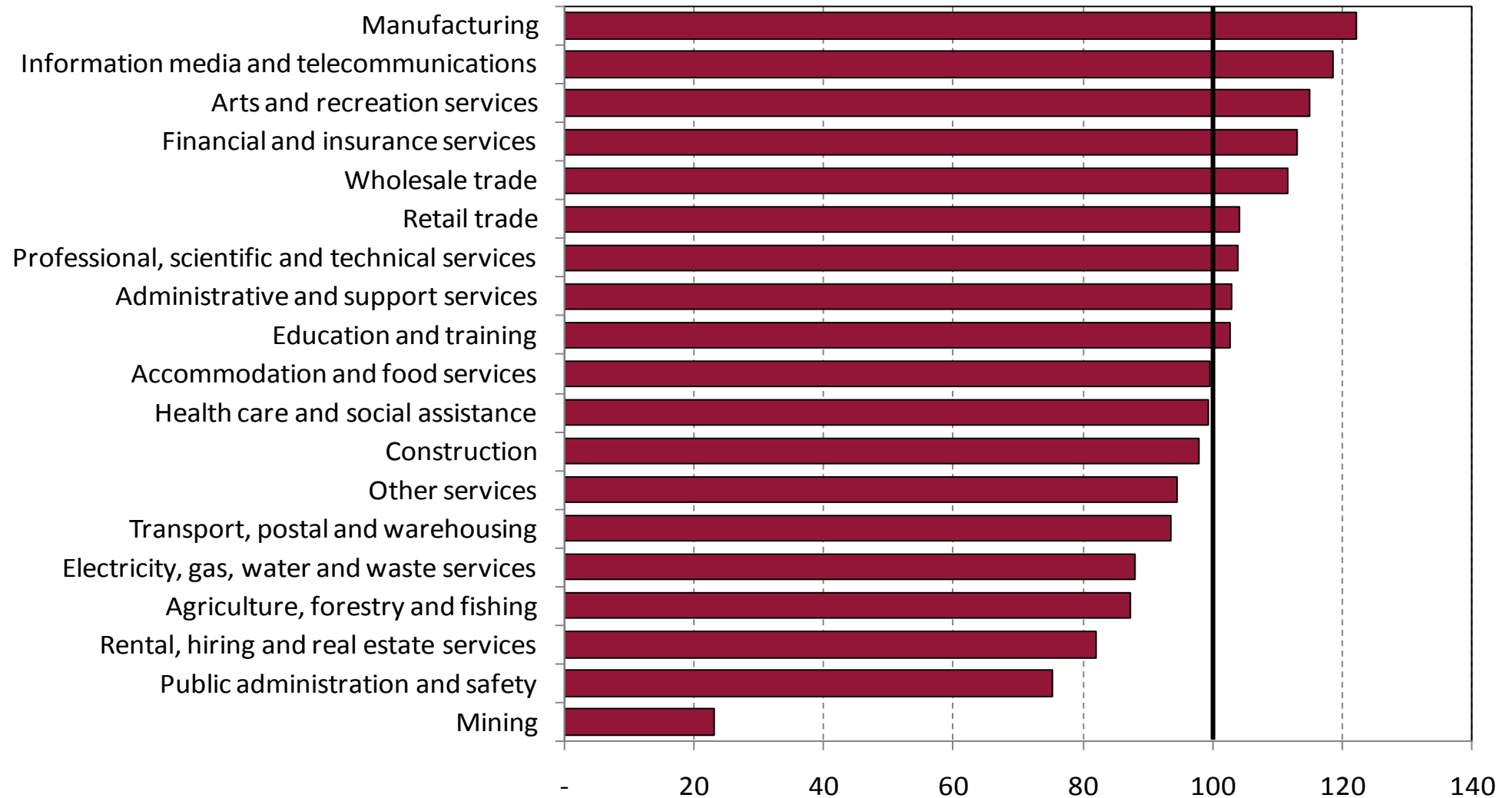


# Victoria's share of key aggregates

Share of national total



# Ratio of Victorian employment shares to national shares – 2010



# Key issues – Demand side (i)

- Australia's **elevated exchange rate** is adding to competitive pressure on industries which rely on exports or compete with imported products in the domestic market. The strength of the currency does also provide some important benefits in some areas, such as through cheaper inputs sourced from overseas.
  - Relevant industries: Culture and recreation; food processing; forestry; furnishing; manufacturing and engineering; services; textiles, clothing, footwear and leather.
- **Demographics trends** are influencing the volume and types of products being produced across a number of industries. The ageing population is influencing demand for health services, and is also expected to alter consumption patterns more generally. The rate of population growth is also slowing fast as a result of less international migration. That may have some impact on the demand for housing and household products.
  - Relevant industries: Community services and health; Primary industries; Racing; Services

# Key issues – Demand side (ii)

- **Consumer** demands are influencing production and skill needs. More consumers are choosing sustainable products (of particular relevance for the food industry), while many corporates more generally are looking to incorporate sustainability into business practices in order to meet consumer expectations. There is also a growing trend toward online shopping and rising demand for digital interactive media to provide greater experience of products.
  - Relevant industries: Food processing; culture and recreation; forestry; furnishing; services; textiles, clothing, footwear and leather.
- More broadly, **economic trends and conditions** are an important demand side issue. While Victoria is growing solidly, the re-emergence of the mining boom in other States and weak consumer spending growth are influencing output and skill needs.
  - Relevant industries: Auto; building and construction; business services; culture and recreation; manufacturing and engineering; services; textiles, clothing, footwear and leather, water.

# Key issues – Supply side (i)

- **Regulatory changes and other gov't policies** related to the supply of training/skills – such as those funding VET – along with wider economic and social policies. The latter includes, for example, the rollout of the NBN, health funding, carbon pricing, and a range of various industry-specific policies.
  - Relevant industries: Building and construction; community services and health; culture and recreation; electro-technology and communications; food processing; forestry; furnishing; manufacturing and engineering; textiles, clothing, footwear and leather; water.
- **Technological changes**, including the use of new materials and the business processes, is an emerging issue across many industries, partially as a response to a competitive business environment. New technology increases demand for technical skills within the industry, but can also reduce the need for labour in some areas as production becomes more capital intensive.
  - Relevant industries: Building and construction; community services and health; culture and recreation; food processing; services; textiles, clothing, footwear and leather.

# Key issues – Supply side (ii)

- **Environmental/sustainability** issues are becoming embedded in standard business practices, underpinning demand for workers to have a broad understanding of sustainable processes. A need for workers to have a solid understanding of sustainability within existing operations is seen, in a number of industries, as a more practical short term outcome of growing environmental trends compared with the emergence of new sectors and technologies.
  - Relevant industries: Forestry; furnishing; primary industries; TCF.
- The **ageing population** means an increased number of retirements in coming years. Concerns are centred on the loss of skills and experience in key occupations, and the resultant ‘skills gap’ which is expected to occur.
  - Relevant industries: Supply of labour is being influenced by ageing issues across almost all industries.

# Occupations in demand

- In defining the lists of occupations in demand and experiencing critical skill shortages, ITABs were asked to apply criteria developed by Skills Victoria based on definitions used by Skills Australia and the Commonwealth Department of Education, Employment and Workplace Relations. The definition used to identify an occupation in demand is as follows:

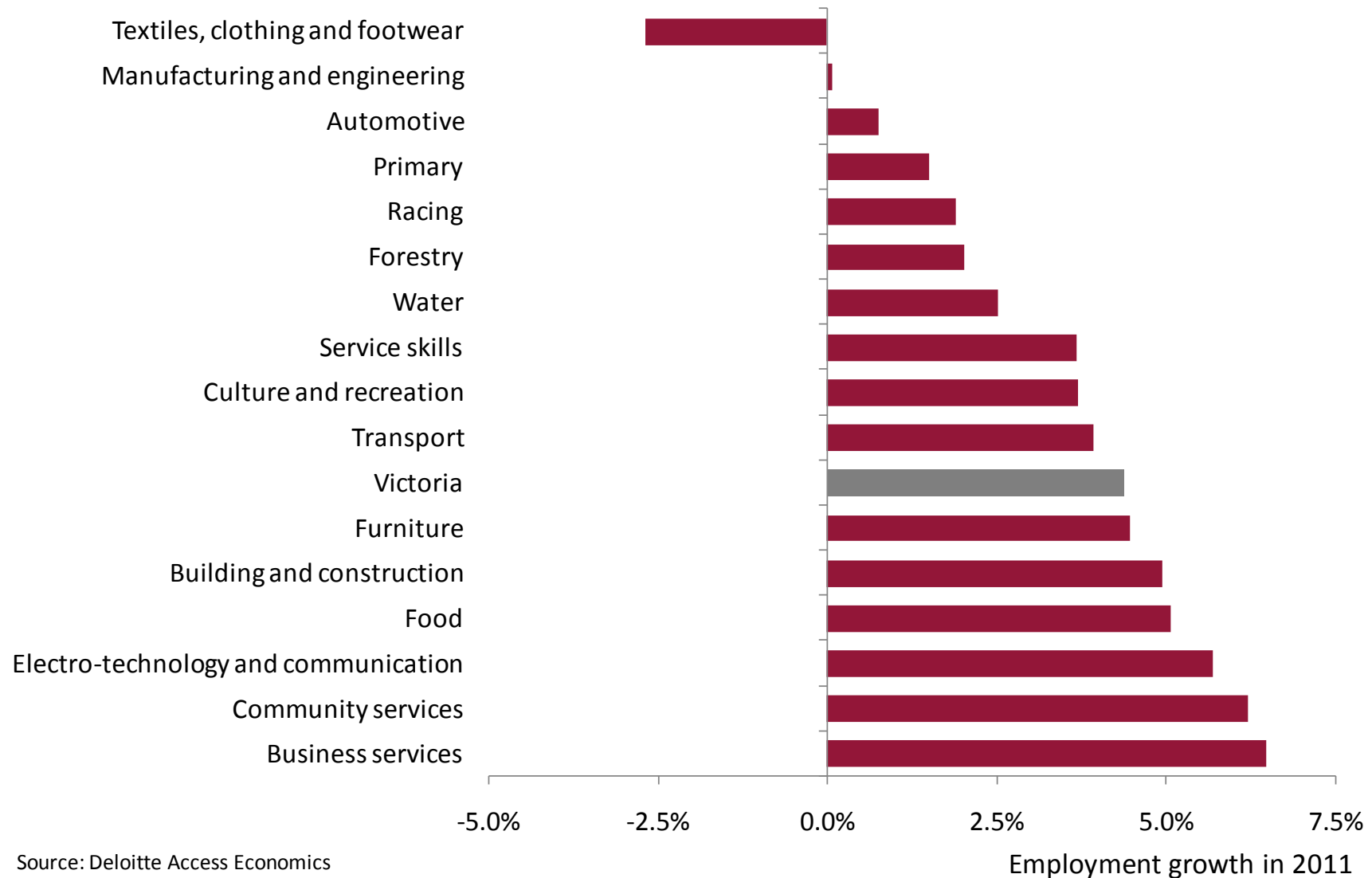
*An occupation is in demand when employers are unable to fill or have considerable difficulty filling vacancies for the occupation, or significant specialised skill needs within that occupation over an extended time period, at market rates of remuneration and standard conditions of employment, and in reasonably accessible locations.*

- 139 occupations listed as in demand across the 16 industries.

# Critical skill shortages

- Occupations were also considered to be experiencing a critical skill shortage if they also met the following four criteria:
  - **Long lead time:** Occupations require skills which are highly specialised and require extended learning and preparation time over several years.
  - **High use:** High incidence of those undertaking formal training for a qualification subsequently taking up work in that occupation.
  - **High risk:** Occupations where the disruption caused by the skills being in short supply imposes a significant risk to the economy and/or community.
  - **High information:** Where the quality of information about the occupation is adequate to the task of assessing future demand and evaluating the first three criteria.
- Of the occupations listed as 'in demand', some 59 (or 42%) were also categorised as experiencing a critical skill shortage.

# ITAB industry employment growth in 2011



Source: Deloitte Access Economics

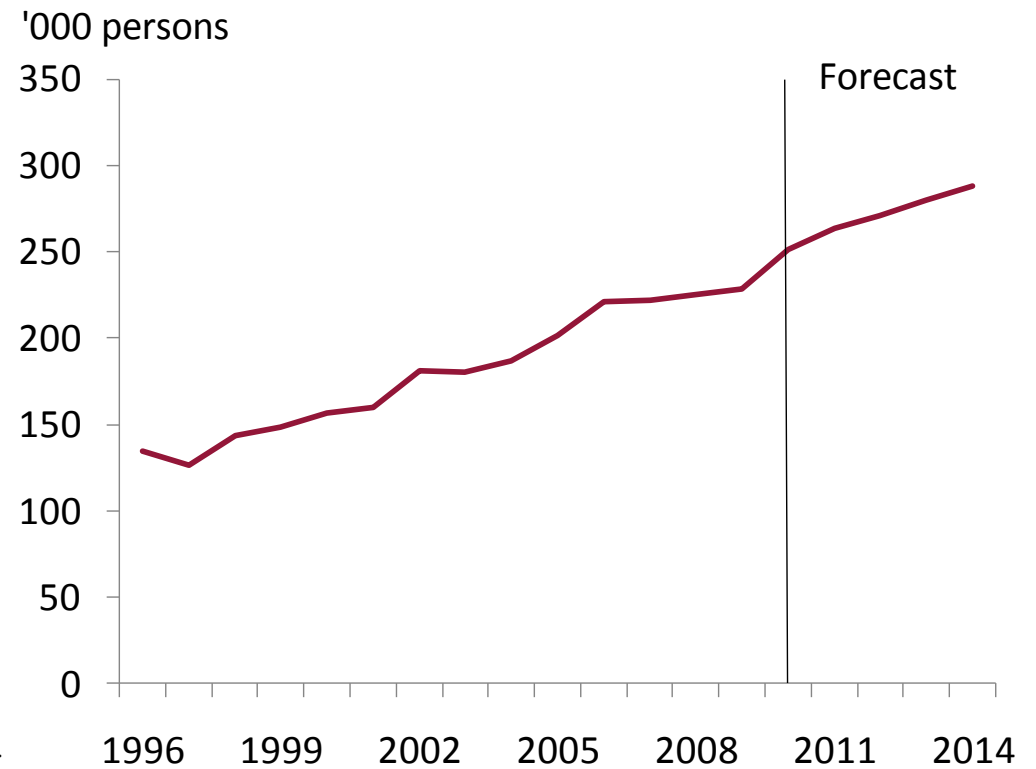
Employment growth in 2011

# Employment outlook

## Automotive



## Building and Construction



# Employment outlook

## Business Services



## Community Services and Health



# Employment outlook

## Culture and Recreation

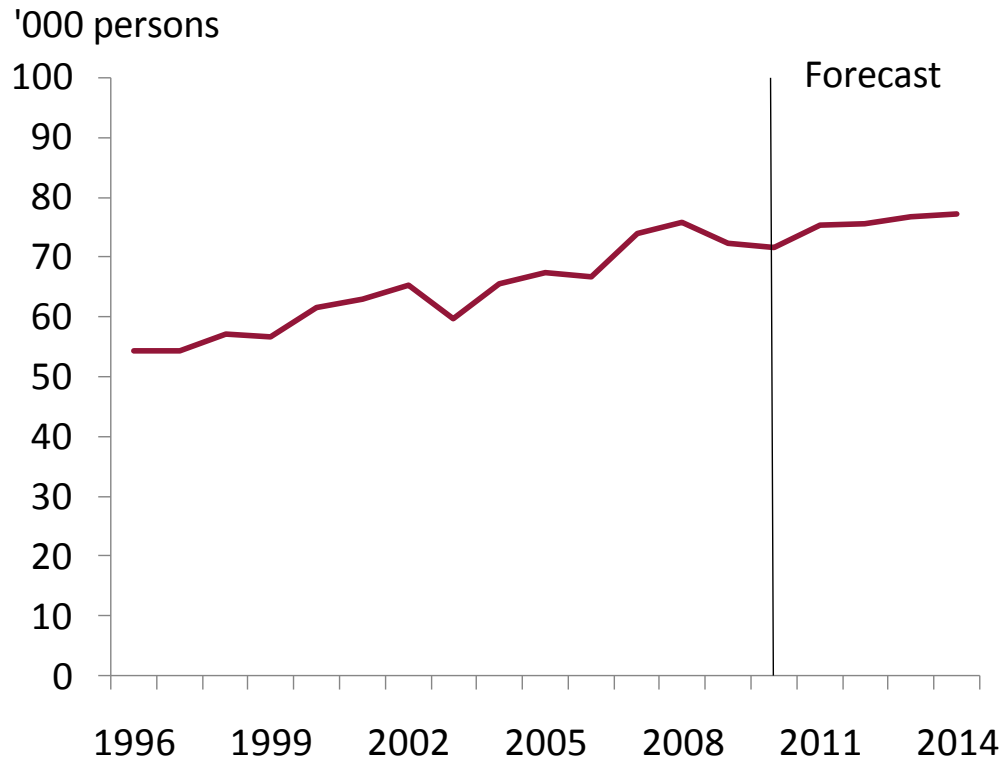


## Electro-technology and Communications



# Employment outlook

## Food processing

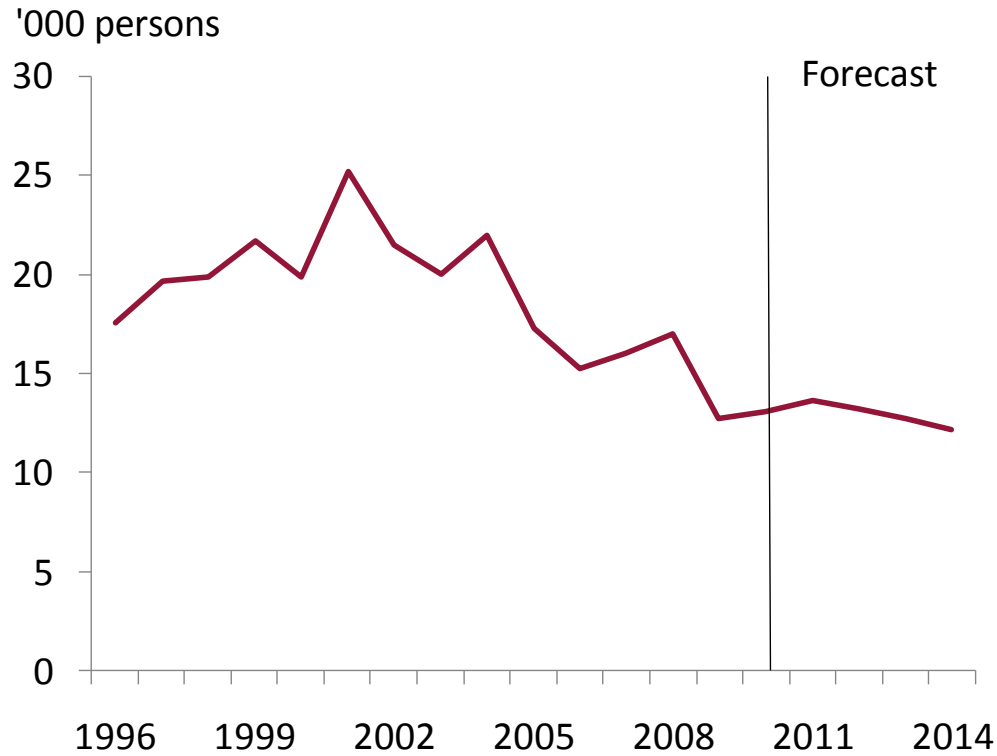


## Forestry



# Employment outlook

## Furnishing

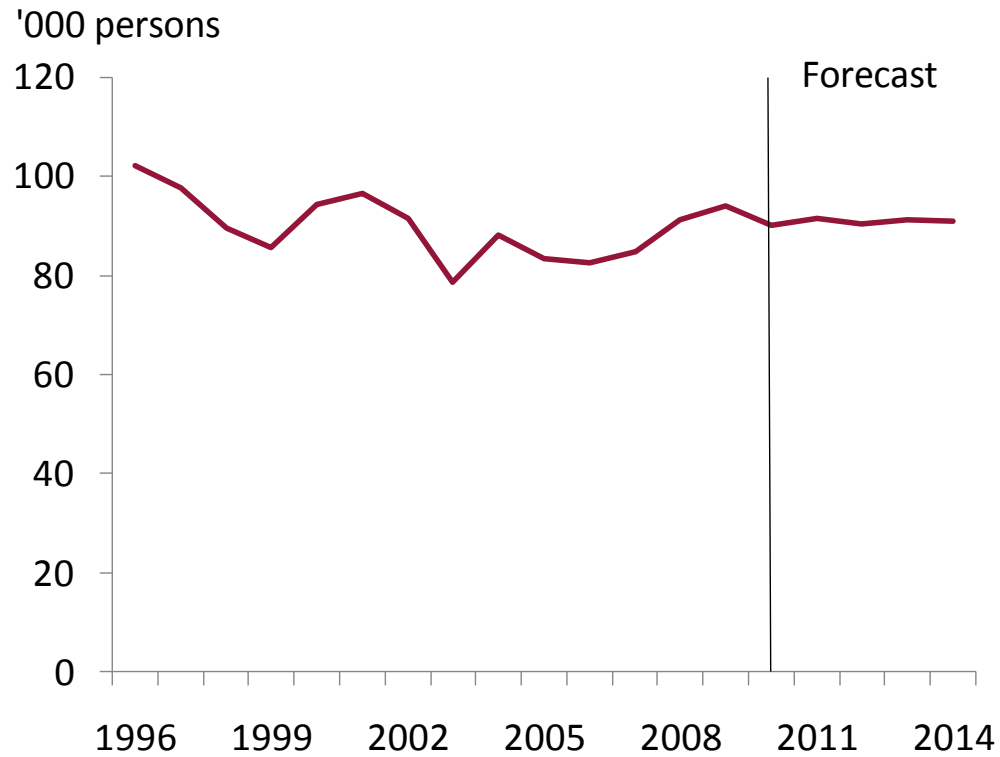


## Manufacturing and Engineering



# Employment outlook

## Primary Industries

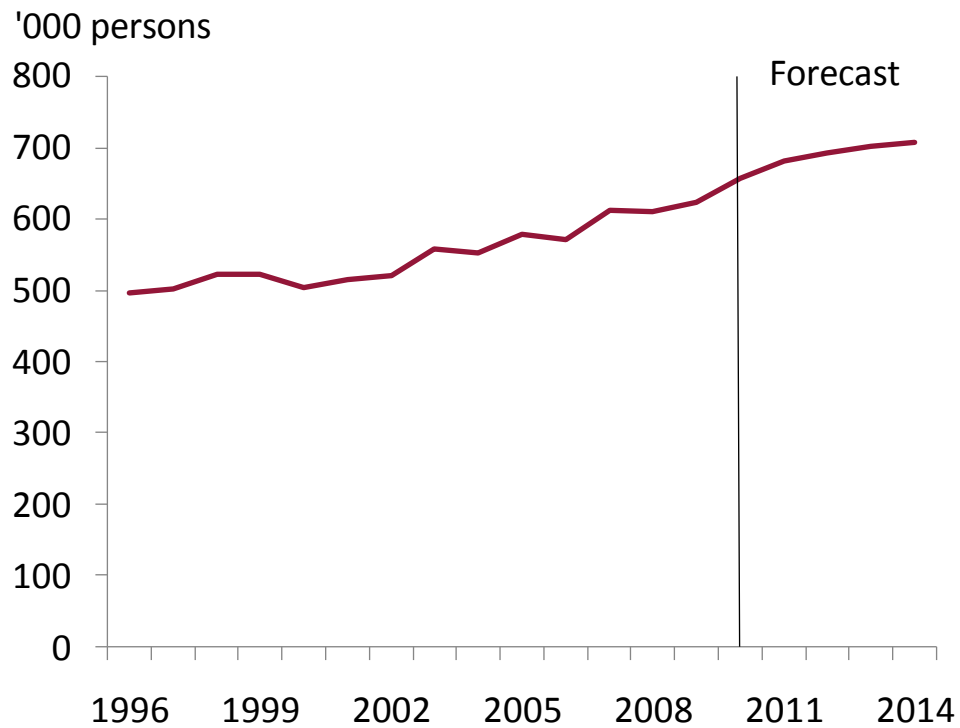


## Racing

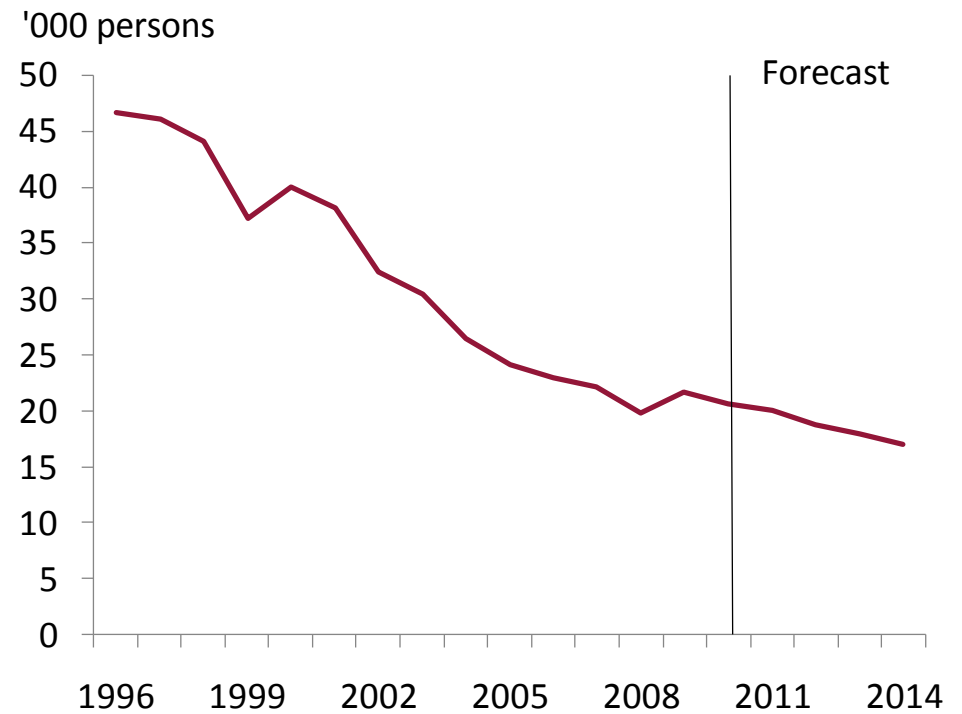


# Employment outlook

## Services



## Textiles, Clothing, Footwear and Leather

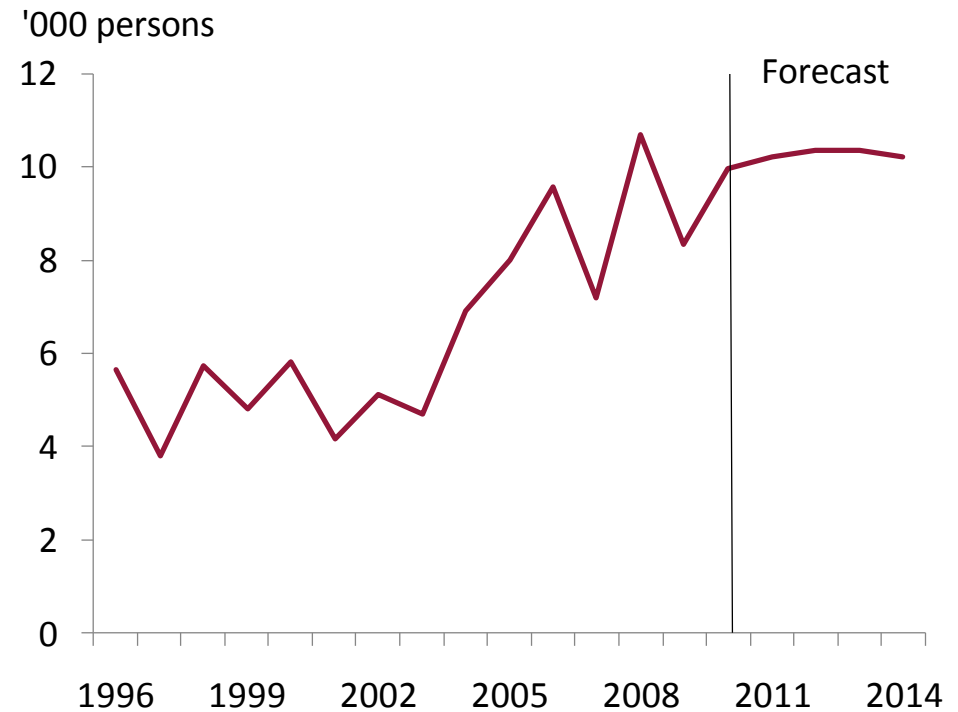


# Employment outlook

## Transport and Storage



## Water



**General information only**

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