

Beyond skill shortage slogans

After 'Workwatch' challenged conventional wisdom on skill shortages in the library and information sector recently, we received numerous comments from readers. Many were interested in how the issue was affecting the labour market as a whole.

Skills shortages have undoubtedly become a hot topic in political and business discourse right across Australia. That discussion has spread across employment, education, economic and even immigration policy. As often happens, in next to no time a mere concern has become an obsession that — according to *Business News* — sees Australia 'looking down the barrel of a catastrophe'.

Whether this claim is valid is not yet fully clear, but there are grounds for some scepticism. Though industry leaders and the Business Council proclaim a crisis, its basis seems largely anecdotal. What empirical evidence there is does not suggest a problem of anything like the same magnitude. The Skilled Vacancies Index [SVI] is published monthly and charts the level of job vacancies in skilled occupations across Australia. If employers begin to have real difficulty in finding skilled staff, the index should logically rise sharply. In fact, it fell by 2.9 per cent in January and is currently 13.8 per cent lower than its 2005 peak. Vacancies for Professionals, Associate Professionals and Trades all fell last month (down by 2.0, 1.0 and 3.6 per cent respectively). While there are significant differences between states, the national index is 12.6 per cent lower than in January 2005.

Looking back further, the data offers little to suggest any notable shifts in Australia's capacity to fill high-skill positions. The index is currently at about the same level as it reached in the mid-1990s after recovery from the last recession. As far as professional work is concerned, the SVI has rarely been lower over the past decade — see table.

But perhaps official data do not paint an accurate picture. Maybe there is a major crisis, as so many claim. If so, the simultaneous existence of severe skill shortages and a labour under-utilisation rate of 10 per cent

should certainly raise some eyebrows. This point is made persuasively in the Centre for Full Employment and Equity's November 2005 working paper 'Skills shortages in Australia: concepts and reality.' As they say, 1.7 million Australians do not have sufficient work. Some are unemployed. Others are under-employed. This suggests that if we do have a severe shortage of trained labour, it can only be a consequence of slack policy approaches to employment, training and skill formation over more than a decade.

Skill shortages are being defined primarily by the perceived needs of employers. But many organisations focus primarily on expenditure restraint and are keen to externalise the cost of developing the skills they require. Training and education are expensive and the private sector has a long history of cost-shifting responsibility onto the public sector. As a recent *inCite* letter-writer succinctly put it: they seek to 'reap what they did not sow'. Certainly, anybody with experience in high-technology public enterprises knows the problems caused by private sector poaching over many years. The harm done to Australia's effort in skills training has always been considerable. But the demise of public employment has increased this harm hugely in the past decade. Mass privatisation of public utilities has destroyed traditional training grounds for many occupations. Now, because much of the private sector is loath to fund all but the most firm-specific training, broader education and skill formation may well be lagging.

In such a climate, only strong government involvement can fill the gap. It is not presently evident. If our primary focus really were on human capital and economic sustainability, a more sensible policy would see Australia doubling its education, training and development effort. Instead, we are looking to migration to import labour market skills we lack. Poaching qualified people from other — usually poorer — countries merely continues a free-rider industry approach to skills development. It may be penny-wise; it is also pound-foolish. ■

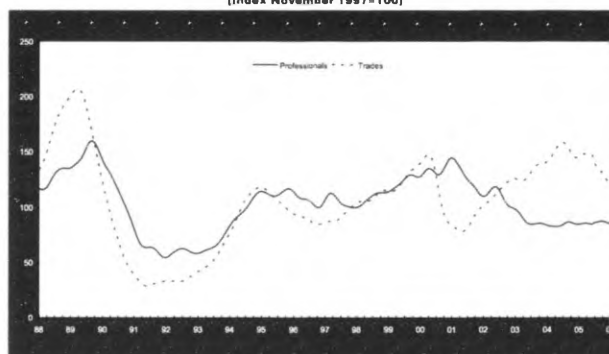


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**SKILLED VACANCIES
PROFESSIONALS AND TRADES**
January 1983 to January 2006
(Index November 1997=100)



Historical data for the Skilled Vacancies Index (SVI) can be found at:
<http://www.workplace.gov.au/workplace/Category:Publication/LabourMarketAnalysis/VacancyReports/>