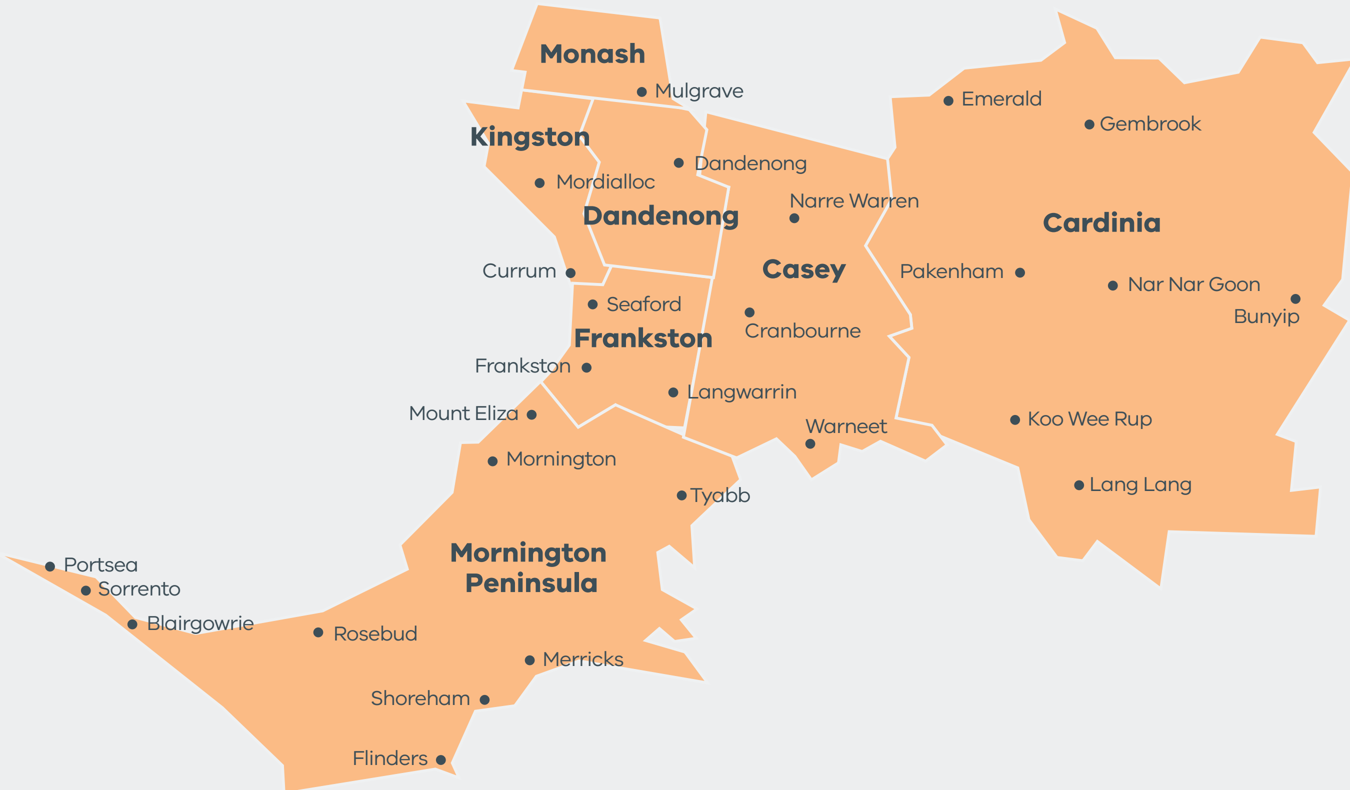
VSC Victorian Skills Commissioner

Regional Skills Demand Snapshot

South East Melbourne

July 2019

South East Melbourne



Prepared by the Office of the Victorian Skills Commissioner for the Minister for Training and Skills, the Hon, Gayle Tierney MP.

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1. Executive Summary

The South East Melbourne Region of metropolitan Melbourne, encompassing the City of Dandenong, City of Frankston, City of Monash, Cardinia Shire, Mornington Peninsula Shire, City of Kingston and City of Casey is growing rapidly. A supply of highly skilled local workers is critical to underpin this growth and the Vocational Education and Training (VET) system has a key role to play. However, the VET system and training delivery is not always aligned with the current and future skills needs of local employers. An employer-informed response can improve this alignment and help address current and emerging skills shortages, thereby ensuring that workers in the South East Melbourne Region are skilled, productive and employable.

The Victorian Skills Commissioner (VSC) recognises the importance of working locally to identify job opportunities, create pathways and gear the Victorian VET system, through Skills First, to support and promote future local careers. This includes working with regions to identify skills gaps and thin markets and, where appropriate, support the creation of partnerships with local employers to address these.

This skills analysis of the South East Melbourne Region was led by the VSC in late 2018 and followed a survey process which sought feedback from over 1,000 local businesses on skills needs, engagement with the training system and barriers to employment. Employers representing the regions key industries were further engaged through a series of roundtables and individual consultations to identify current skills related issues that their businesses were facing, and where future jobs in their industry may come from. From that, the appropriateness of existing qualification pathways and related skills and training requirements were explored. This report incorporates findings from the survey and consultation process to provide a Regional Skills Snapshot (Snapshot) for the South East Melbourne Region.

This Snapshot is the first of its kind undertaken by the VSC and is based on elements of the VSC's successful Regional Skills Taskforces conducted in the Mallee and the Great South Coast regions. The key difference is that the snapshot focuses only on current skills needs and does not attempt to estimate the magnitude of future skills demand. However, it still provides a valuable resource for Governments, local employers, education providers and other stakeholders who seek to understand the current and emerging skills and training needs of the South East Melbourne Region and opportunities to address them.

Industry, TAFE, other training providers, schools and government will be integral to providing the skills and pathways required to meet future economic demand in the South East Melbourne Region. Strong partnerships, linkages and sustained collaboration are needed to address systemic challenges and ensure the efficacy and equity of training and alignment to employment outcomes for all students.

South East Melbourne is the largest and fastest growing region in metropolitan Melbourne

The South East Melbourne Region has approximately 83,500 businesses and approximately 500,000 full-time and part-time jobs, which accounts for 18% of all jobs in Victoria. As of 30 June 2017, the population of the South East Melbourne Region was estimated at just over 1 million people, approximately 16.7% of the Victorian population.

The economic profile of the region reflects strengths in four key sectors: Manufacturing, Construction, Retail Trade, and Community Services and Health (CS&H). The logistics and tourism sectors are also expected to support future growth, particularly due to the geography of the region (proximity to well-connected transport routes, port access and cheap land) and its rich natural environment. The region is also seeing growing demand for locally produced high-value agricultural goods (including high-quality wines and other foods), giving local Food and Fibre businesses the opportunity to expand operations.

Expectations for growth are strong across all industries. Two thirds of employers surveyed expect to grow over the next five years, with 29% of employers expecting to increase staff by more than 40% in the next three years. Business growth is expected to come from current products and services, diversification and the adoption of new technology. While new technology will offer efficiencies, adoption is not expected to negatively impact staffing levels. Over 80% of surveyed employers believed technology would lead to the same or increased staff numbers.

While the outlook of local industries across the South East Melbourne Region is positive, its economic potential is dependent on the region's capacity to address existing workforce challenges and shortages.

Skill shortages are having a material effect. However, investment in skills by employers' lags.

The workforce of the South East Melbourne Region is unique. Consistent with its leading role in manufacturing, the South East Melbourne Region has a higher proportion of labourers, machinery operators and drivers, and technicians and trade workers than the rest of Victoria. Conversely, the region is under represented in professionals and managers, which is reflected in feedback from employers who reported challenges in recruiting staff at those levels.

Engaged businesses reported shortages in a range of occupations including, but not limited to labourers, technicians, machine operators, sign writers, hospitality professionals, traditional trades and pharmacy dispensary technicians. Of note, 80% of consulted employers reported that current skill shortages are having a financial impact on their business.

Despite employers identifying growing labour and skills shortages, most indicated that they prefer to hire new workers to fill skills gaps, rather than invest in training for existing staff. This attitude extended to programs such as apprenticeships and traineeships that provide critical training pathways for the skilled labour they seek. Many highlighted their reliance on labour-hire firms for their workforce, rather than direct ongoing employment of new staff.

Fewer employers offering ongoing direct employment risks a subsequent further reduction in employers' willingness to invest in on-the-job training for their staff, which is an important mechanism for developing a skilled workforce. These preferences in response to a growing demand for labour are leading employers to compete for an ever-diminishing skilled labour pool. Combinewd with the introduction of new technologies that are disrupting roles that previously provided entry level pathways, there is a need for employers to consider the role they play in collaboration with the VET sector to secure the required future workforce. Employers have a choice to compete for staff from other local businesses, look outside the region for talent, or to invest in support and mentoring for new workers. An investment approach will, however, likely require an adjustment in expectations on the skills and attributes to be developed by the employer in the workplace and the level of productivity for a VET graduate on their first day.

Collaboration with training providers will be essential to rebuild and promote entry level career pathways (including apprenticeships and traineeships) that meet the needs of employers and provide a springboard for further progression and success in their preferred industry. Without meaningful pathways, skill shortages will only continue to grow.

Industries share common opportunities to unlocking the potential of the region

Consultations identified a series of collective challenges across the region. In response, several opportunities have been identified, that through sustained collaboration between industry, trainers and educators, can help unlock the region's potential. Five key opportunities are outlined below, and further opportunities are discussed in detail in later sections.

- Increase exposure of high school students to local careers in the classroom and on-the-job
- Support young workers to acquire the skills expected of them by employers to be considered work ready
- Simplify the Funded Course List through prioritisation of common high value qualifications
- Deliver meaningful pathways for new workers through stronger employer support and mentoring for new entrants to the workforce, including apprentices and trainees
- Improve collaboration between providers and employers to support the transition of workers into supervisory and/or managerial roles through contextualised leadership and management training.

Each industry in the South East Melbourne Region has unique skills and training needs

Industry leaders across the South East Melbourne Region identified a series of opportunities unique to each industry group. The VET system, in collaboration with industry, must play an important role in capturing these opportunities to ensure the nuanced training and skilling needs of industry are met. Key opportunities for each industry are outlined below, and further opportunities are discussed in detail in later sections.

Table 1: Key opportunities in VET by industry

Industry	Opportunity
Manufacturing	Rebrand manufacturing as a dynamic sector with opportunities to work in highly technical areas.
	Partner with RTOs to design and accredit tailored courses in areas of specialist skills.
Construction	Increase trade apprenticeships, particularly electricians, concreters, carpenters and brick layers.
	Investigate independent assessment of competence at the completion of a trade qualification.
Food and Fibre	Improve career advice delivered to local school students to better reflect career opportunities.
	Regularly review local training in OH&S and food safety standards to ensure industry compliance.
Retail, business, hospitality and tourism	Investigate flexible programs/skill sets that can be easily tailored to specific worker cohorts.
	Explore opportunities to rotate workers across multiple employers with similar skill requirements.
Community Services and Health	Encourage flexible delivery of CS&H courses by local training providers to meet workforce need.
	Review and adapt training for key roles to include emerging skills such as technology skills.

Action is required by all stakeholders to address the findings outlined in this Snapshot

Industry is a key stakeholder in Victoria's training system. This report outlines their understanding of the skills needs and challenges for the South East Melbourne Region and where the focus is required to ensure the economic potential of the region is realised. Action by key stakeholders to address the findings raised in this Snapshot represents the next step in capitalising on the opportunities, to align the provision of VET in the region with the current and future demand of industry.

2. Introduction

Demographic, policy, technological and industry change will impact the nature of work and the skills required across all regions in Victoria. It is an economic imperative that the VET system is aligned with the current and future skills demands of industry. The first step to address current and emerging skills shortages and ensure workers are skilled, productive and employable is to understand the needs of local employers and their views on how they will change.

As part of the Victorian Government's Industry Engagement Framework, the Office of the Victorian Skills Commissioner (OVSC) has engaged directly with industry leaders across the South East Melbourne Region to seek advice from local employers on the regional outlook as well as the future skills and training needs. The overarching aim of this Snapshot is to provide an overview of the skill and training needs within the South East Melbourne Region. This can in turn inform actions by Government, employers, education providers and other stakeholders to ensure the training system is able to support industry's skills needs, both now and into the future.

The Snapshot is the first metropolitan focused place-based project delivered under the Industry Engagement Framework and has been based on elements of the VSC's successful Regional Skills Taskforces conducted in the Mallee and the Great South Coast regions.

The Snapshot, developed in consultation with local employers, provides an economic outlook for the South East Melbourne Region, including a short to medium term view on labour, skills and training requirements by key industry groups. It is intended to provide an evidence base, from the perspective of industry, on:

- how the training system can better support the local economy and jobs;
- potential interventions to meet the South East Melbourne Region's skills demand and development; and
- opportunities to address pathways, thin markets and skills gaps to improve employment outcomes.

The Snapshot included a survey of over a thousand businesses in the South East Melbourne Region. To validate and contextualise this information, a series of broader consultations, including roundtables with industry and individual consultations, were conducted to provide a richer industry perspective on the challenges and opportunities for the region. Industry workforce forecasts were also developed to support future policy and planning.

The process for the Snapshot draws on the rich level of data and information held by governments and industry. Employer perspectives, made possible through the independence of this process, have been important for providing a snapshot of the region's current and future skills and training need and identifying misalignment between the supply and demand sides of the VET system.

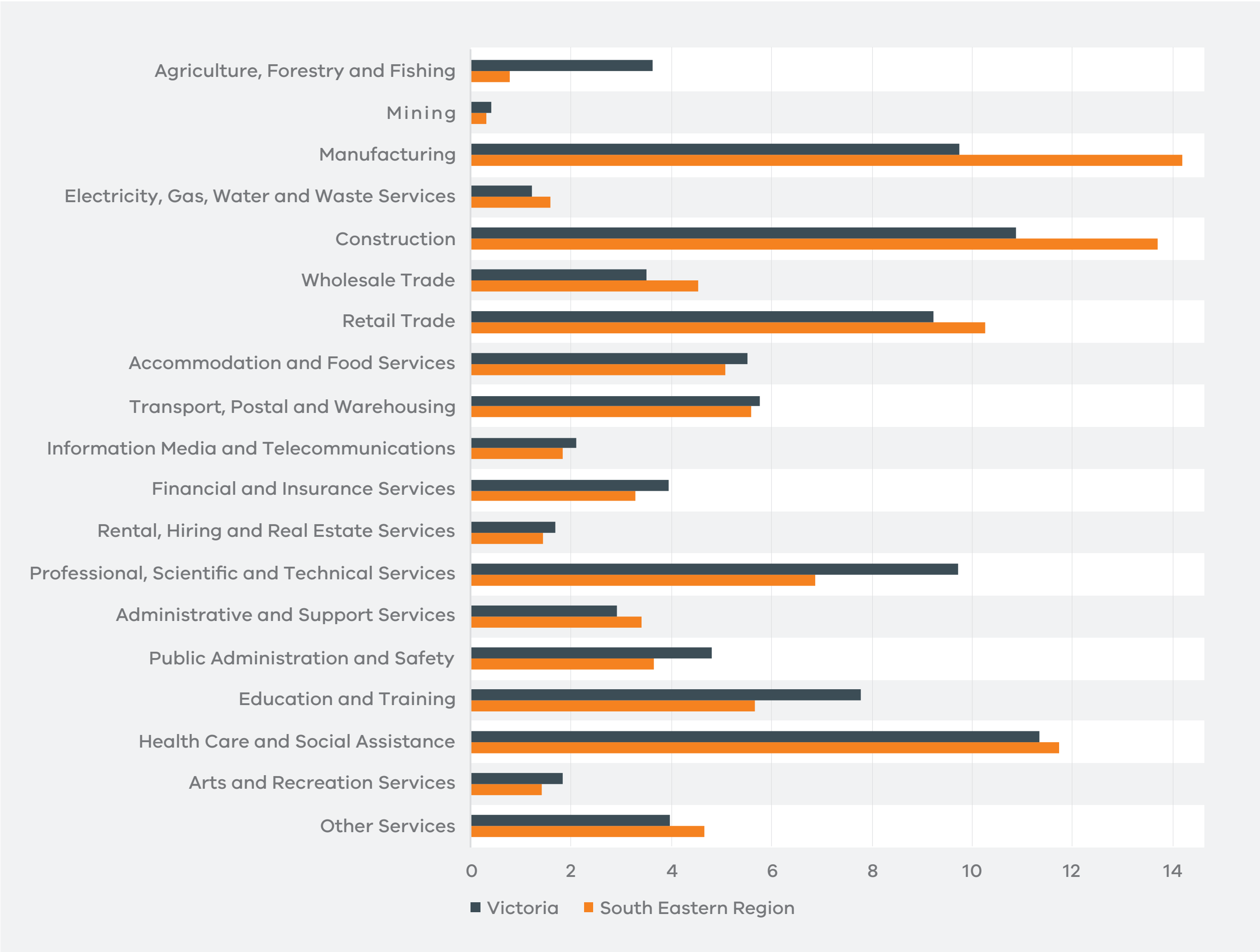
As student choice remains a key feature of the VET system, it is important to present a profile of the region's future, including demand, to allow local students the opportunity to make informed decisions about their pathways. This Snapshot represents a step to better align VET provision with the current and future needs of local industry. While achieving alignment is an important step in maximising local job opportunities, the onus remains on all stakeholders to sustain ongoing collaboration to ensure continued success.

The overarching aim of this Snapshot is to provide an overview of the skill and training needs within the South East Melbourne Region.

3. Economic overview

The South East Melbourne Region is the largest and fastest growing region among the six metropolitan regions that make up Melbourne's economy. The South East Melbourne Region is home to more than 500,000 jobs and 83,500 businesses.[1] The economic profile of the region reflects strengths in four key industries: Manufacturing, Construction, Retail Trade, and Community Services and Health (CS&H). As shown in Figure 1, the industry profile of the region is distinct from the Victorian economy in that the manufacturing and construction sectors account for approximately 28 percent of the region's total employment, compared to 21 percent of Victoria overall, highlighting the importance of these industries to the region. Health care and social assistance and retail trade are also significant contributors to the region's total employment numbers.

Figure 1: Share of employment by industry sector (South East and Mornington Peninsula Region), 2017/18



[1] Ao. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geo graphical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

Despite a decline in automotive production, manufacturing remains the major driver of the region's economy, representing almost a third of the total output, centred around key industrial hubs in Dandenong, Frankston and Kingston. These areas are significant producers of exports (more than 300 businesses in the South East Melbourne Region), enabled by proximity to strong transport networks and port facilities. Key products include metal fabrication, pharmaceuticals, plastic & chemicals, automotive and transport, and windows and doors, with the local construction industry being a significant driver of demand.

Other key industries are largely supported by strong population growth in the region. Figure 2 and Figure 3 below show population growth in the South East Melbourne Region from 2011 to 2021 is occurring at a faster rate than wider Victoria. Demand for residential dwellings has increased significantly, particularly in the City of Casey and Cardinia Shire, where relatively cheaper land is available than in other Melbourne metropolitan areas. Major public infrastructure projects support this increased population, including upgrades to the rail system and hospital redevelopments, providing the construction sector with a strong outlook over the medium-term. Several of these infrastructure projects aim to cater for higher demand for community and healthcare services in the region, such as the $560 million redevelopment of the Frankston Hospital and the $540 million development of the new Victoria Heart Hospital in Monash.

Figure 2: Population of South East Melbourne Region 2011-21

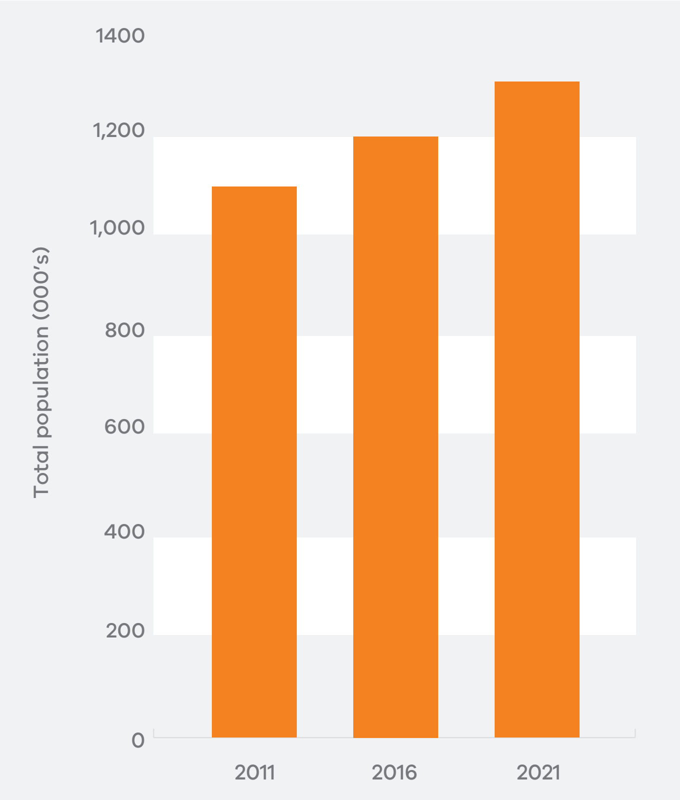
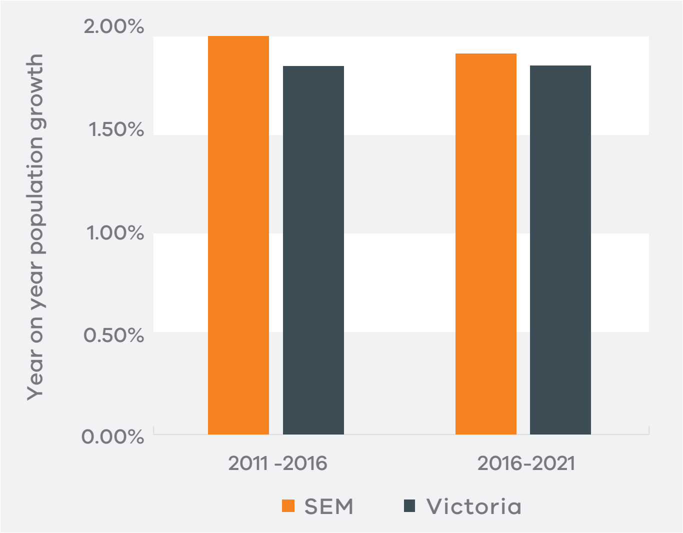


Figure 3: Year on year population growth 2011-21



Source: Department of Environment, Land, Water & Planning, Victoria in Future 2016.

A growing agricultural and tourism focus in the region supports the retail and hospitality sectors. The region produces high-value agricultural goods (including high quality wines and other foods) and is home to rich natural assets that support the attraction of more than seven million visitors annually, predominantly to the Mornington Peninsula area, adding more than $1 billion to the local economy. Hospitality businesses, such as luxury vineyard-hotels, increasingly leverage tourism numbers and demand for local agriculture to attract customers.

The economy of the South East Melbourne Region benefits from proximity with strong industries in neighbouring areas. Melbourne City is one of Australia's most popular tourism destinations, for both domestic and international visitors.[2] The South East Melbourne Region, particularly the Mornington Peninsula, benefits from being close to the city, providing the option for day trips or overnight stays. Combined with improvements to local infrastructure, this resulted in an increase in international visitor numbers by 25 percent in 2018. Proximity to strong agricultural industries in Gippsland and wider South East Victoria also benefits the region. For large corporate food entities in the South East Melbourne Region, access to agricultural produce and skilled workers from these areas, with good transport and freight linkages, is a key competitive advantage.[3]

Continued public investment will also contribute to the region's economy and productivity. In addition to public infrastructure projects, the Government has included a range of measures in the Plan Melbourne 2017 – 2050 blueprint that will help create foundations for strong economic growth over the coming decades. [4] These include the establishment of Metropolitan Activity Centres and National Employment and Innovation Clusters (NEIC) to provide hubs for businesses and government services, as well as the creation of a Southern Industrial Precinct and Port of Hastings Industrial Precinct.

[2] Budget Direct. Australian Tourism Statistics 2018. Accessed via: https://www.budgetdirect.com.au/travel-insurance/research/tourism-statistics.html
[3] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf
[4] Victoria State Government – Metropolitan Planning Strategy, Plan Melbourne 2017 – 2050, 2017. Accessed via: https://www.planmelbourne.vic.gov.au/__data/assets/pdf_file/0007/377206/Plan_Melbourne_2017-2050_Strategy_.pdf

Underpinning the South East Melbourne Region's economy is a large number of smaller employers, with more than eighty percent of businesses in the region employing fewer than 20 employees (see Figure 4).[5] Almost half (46 percent) of these businesses have a revenue of less than $1 million, and only 14 percent have revenue above $5 million (see Figure 5). The exception in both cases is the manufacturing industry, which has 32 percent of businesses with 20 or more staff, and 29 percent of businesses with revenues greater than $5 million.

Figure 4: Number of employees per business in South East Melbourne Region

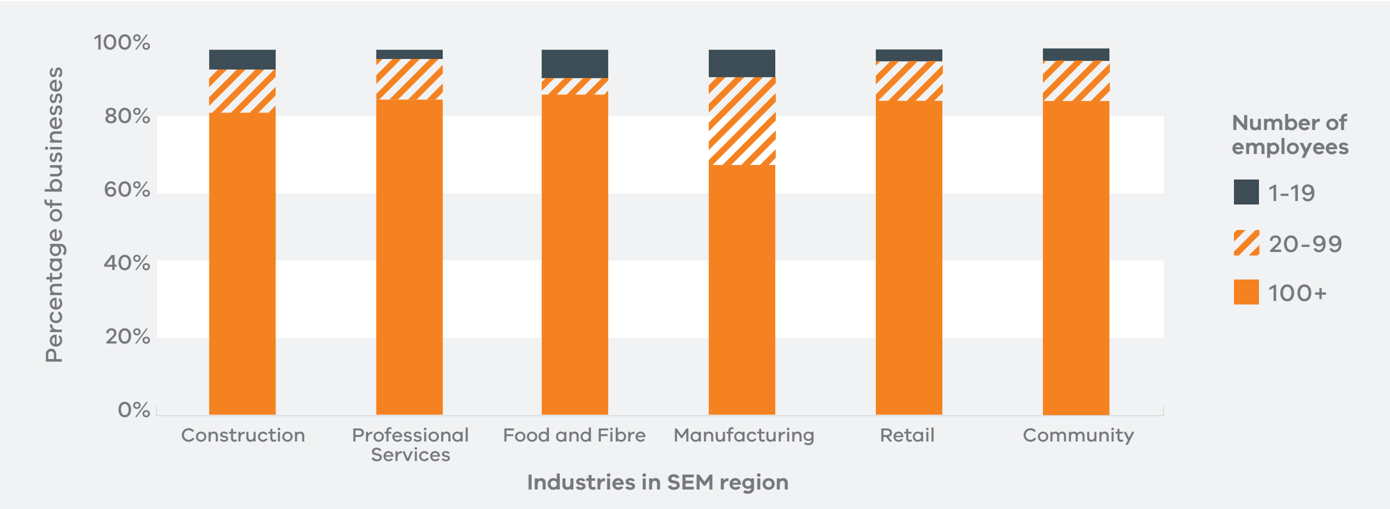
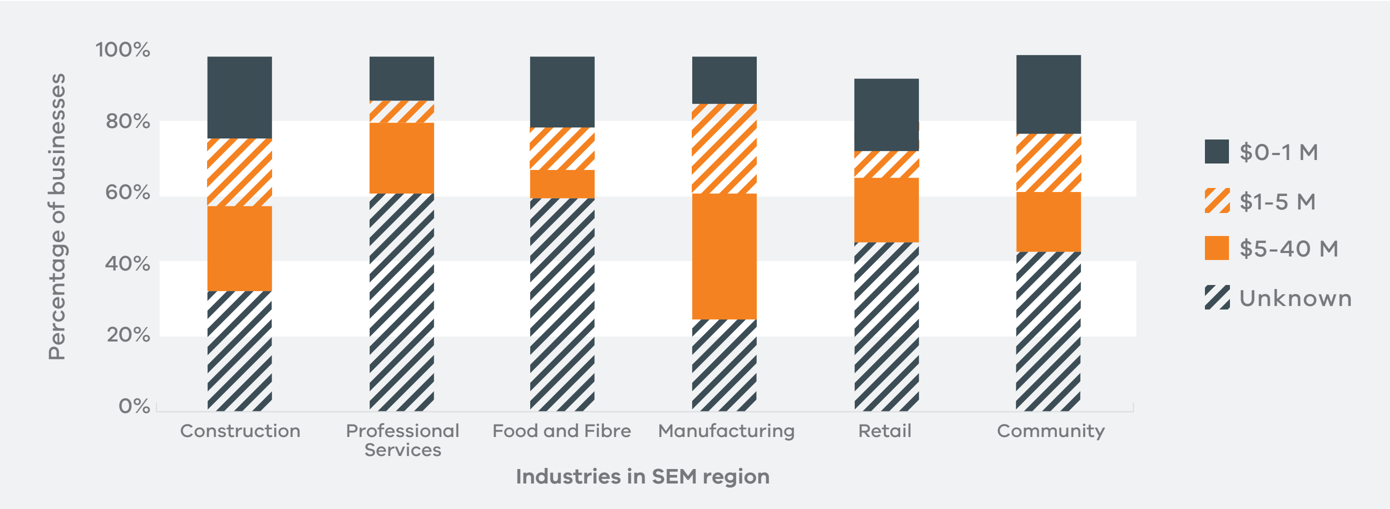


Figure 5: Total annual revenue per business in South East Melbourne Region



In addition to driving industry growth, the increasing population has been a source of challenges in the South East Melbourne Region. The rate of population increase has exceeded the increase in employment opportunities to date, with some new residents unable to source employment in the local economy. Figure 6 shows that the region has consistently reported higher levels of unemployment than Victoria overall. The unemployment rate of those aged 15 and over in the South East Melbourne Region is 5.6 percent, which is over 1 percent higher than the Victorian unemployment rate of 4.5 percent.[6] However, as at September 2018, the youth unemployment rate for people aged 15 to 24, was 11.1 percent in the South East Melbourne Region. This is below the Victoria-wide youth unemployment rate of 12.1 percent.

[5] ABS cat. No. 1410, Data by Region, 2012-2017
Note: this estimate contains data relating to only the LGAs in the South Eastern Region as defined by the ABS. It is defined as the percentage of total businesses that report less than 20 employees (including non-employing businesses) in 2017.

[6] Unemployment data is not available specifically for the South East Melbourne Region. However, the Commonwealth Department of Employment provide unemployment data for the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region.
This is a close approximation of the South East Melbourne Region.

Figure 6: Unemployment rate by age group (South East Melbourne Region), September 2018

The South East Melbourne Region has an ageing population, roughly in line with overall demographic trends across Victoria. In 2016, 180,000 people in the South East Melbourne Region (approximately 15 percent of the population) were aged 65 or over (see Figure 7).[7] Those aged 65 years or over also constituted the fastest growing element of the population in the region between 2011 and 2016, with year on year growth of 3.32 percent (see Figure 8), compared to an overall population growth of 1.92 percent. Population growth forecasts for 2016 to 2021 from the Victorian Department of Environment, Land, Water and Planning show that the over 65 age group is predicted to continue to grow at 3.05 percent year on year to 2021, slightly lower than wider Victoria. Growth in this age group is the main driver of anticipated increase in demand for health and community services in the region. Employers across different industries in the region acknowledge the challenges presented by an ageing workforce.

Figure 7: South East Melbourne population over 65 2011-21

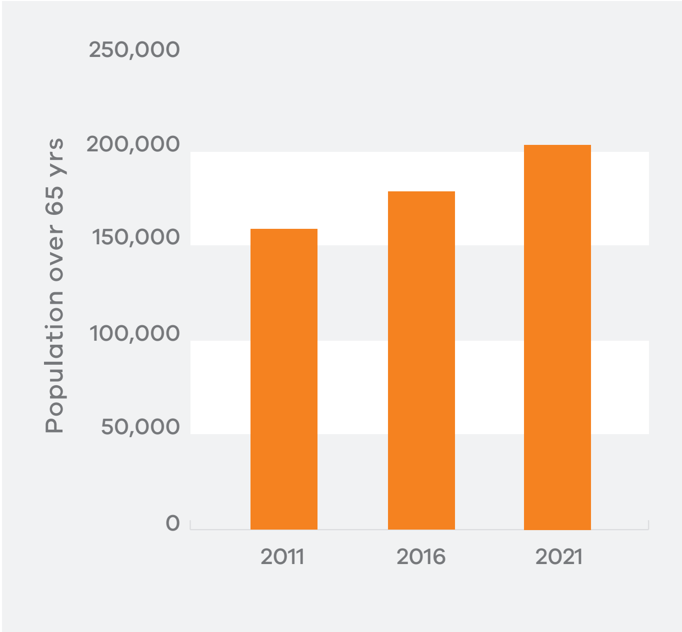
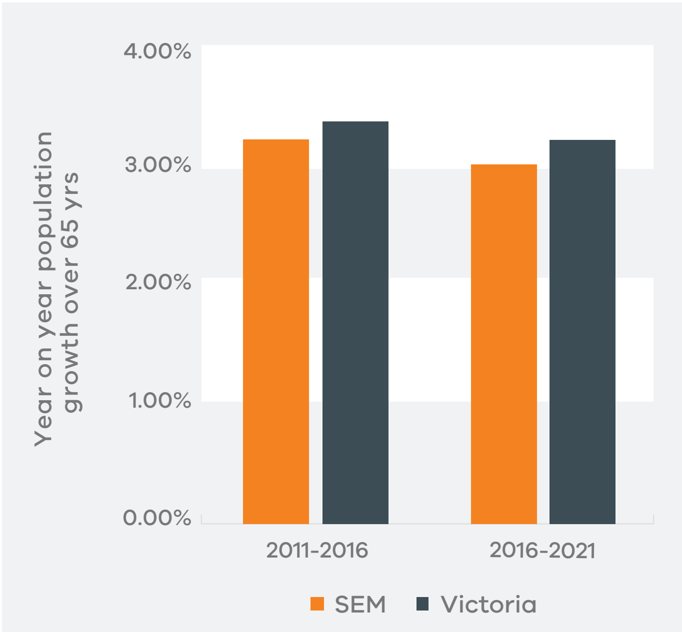


Figure 8: Year on year population growth over 65 2011-21



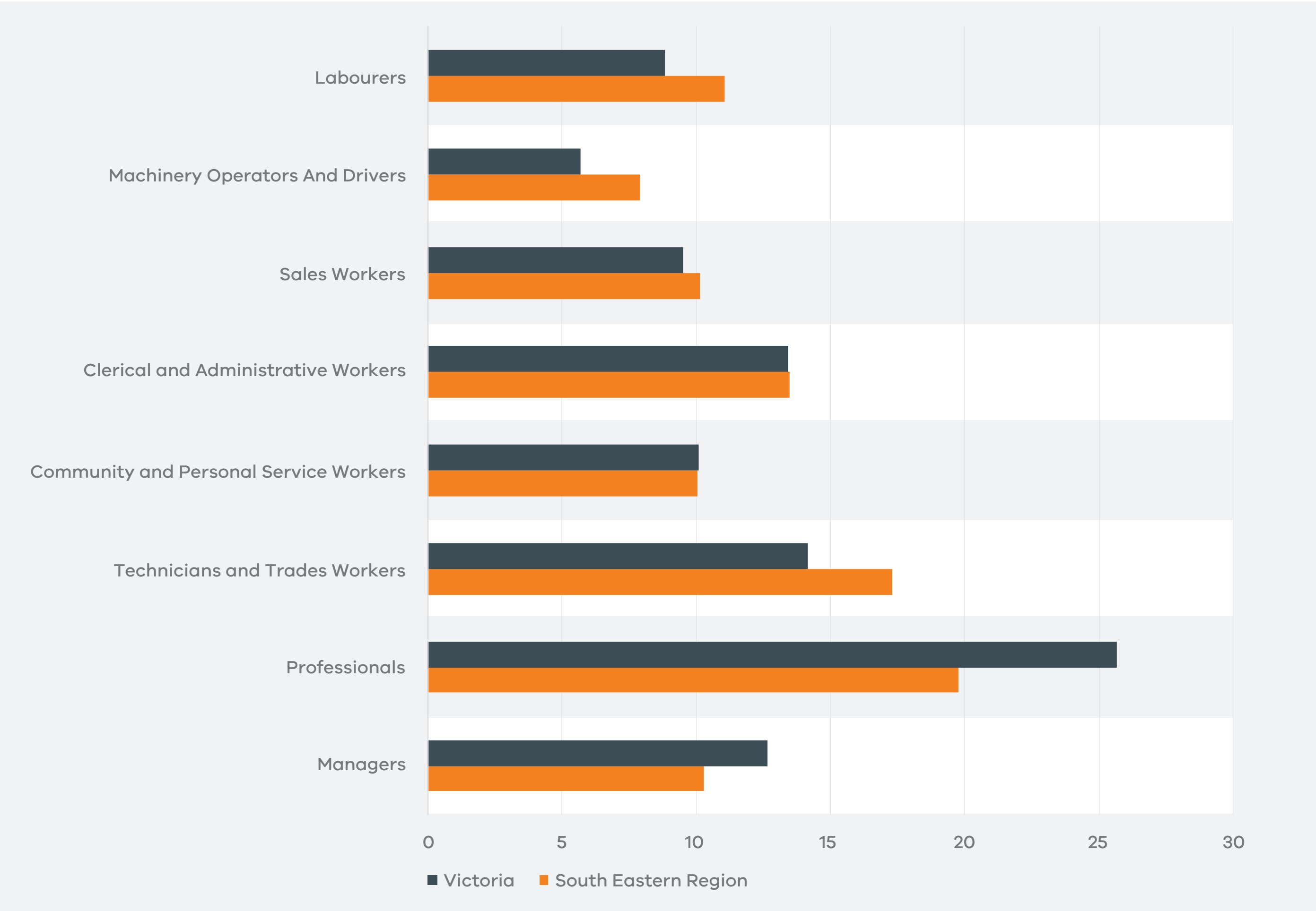
Source: Department of Environment, Land, Water & Planning, Victoria in Future 2016.

[7] ABS cat. No. 3235 Estimated Resident Population by Age, June 2017 release.

4. Workforce characteristics

The South East Melbourne Region has a unique profile of workers. Analysis of labour market data indicates that the South East Melbourne Region has a higher proportion of labourers, machinery operators and drivers, and technicians and trade workers than the overall figures for Victoria (Figure 9). However, the region is under-represented in professionals and managers, which is reflected in feedback from employers who reported challenges recruiting staff at these levels.

Figure 9: Employment by occupation (South East and Mornington Peninsula Region), August 2018



Source: Department of Employment, Employment Region – Employment by Occupation, August 2018.

Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

The current skills shortages faced by employers in the South East Melbourne Region are largely focused around technical, job-specific skills, including emerging requirements such as technology-related skills (75% percent of respondents) and innovation (67% of respondents). Engaged employers reported current skills needs in a range of occupations including, but not limited to labourers, technicians, machine operators, sign writers, hospitality professionals, traditional trades and pharmacy dispensary technicians. Table 2 below describes the roles that each industry has the most difficulty filling.

Table 2: List of positions reported to be the most difficult to fill

Industry	Role
Manufacturing	Machine operators
Construction	Labourers and Supervisors
Retail	Salesperson/retail sales
Wholesale	Marketing and sales
Professional services	Engineers (civil/software/ structural)
Community Services and Health	Nurses
Primary industry	Labourers and supervisors

Source: Survey responses to Q4.8: Positions experience most difficulties in recruiting? Base: All businesses (n=908)

Across the entry-level workforce, employers identified demand for additional communication, self-management, customer service and social intelligence. Another common skills gap was a lack of leadership and management capabilities (e.g. in supervisor roles). Approximately half of employers reported difficulties in both training and hiring to address challenges at this level. However, of interest is that 87% of surveyed employers (over 1,000) in the South East Melbourne Region indicated that they believe they have the skills they need today with remaining employers split evenly between those who are either concerned or confident that they will have the skills they need in the next 5 years.

Two-thirds of employers expect to grow over the next five years, with 29 percent of employers anticipating an increase in staff of more than 40 percent in the next three years. Growth through diversification and technology are the two capabilities that employers in the South East Melbourne Region are most concerned about meeting over the next five years. These concerns are very real for businesses, with the majority stating that the impact of a skills shortage on their business would be moderate (52 percent of respondents) or high (31 percent of respondents). Over 80 percent of consulted employers also reported that skill shortages would have a financial impact on their business. This lack of skills is expected to increase the workload on existing staff and reduce the businesses ability to meet customer demands and grow.

Two-fifths (38 percent) of respondents have already started to adopt new technology and more than half have plans to introduce it. The primary driver of this is efficiency purposes. Despite improving efficiencies, new technology is not expected to reduce staffing levels. Nearly a third (28 percent of respondents) of those planning to implement new technology stated it would lead to an increase in staff, and half (55 percent of respondents) stated it would have no impact.

Most employers (69 percent of respondents) reported a preference to hire new workers to fill skills gaps, rather than provide access to training for existing workers. Many highlighted their reliance on labour-hire firms for their workforce, rather than direct ongoing employment of new staff. This recruitment practice limits the willingness of employers to invest in their staff with either formal training or ongoing career development. As a potential by-product of this practice, one tenth of businesses in the South East Melbourne Region experience annual staff turnover above 20 percent, which makes recruitment an ongoing challenge (compared to an average of 8.1 percent across Australia).[8]

Except for the manufacturing industry, most employers (70 percent of respondents) feel they receive enough applications for advertised jobs. However, more than half stated that they do not receive applications from those with the right skills or qualifications to be able to hit the ground running without immediate on the job training. Across industries, employers expressed that they are looking for applicants who have the right attitude and fit, and they often value these qualities over formal qualifications. Two thirds of employers reported that they prefer to recruit staff as graduates (from TAFE, university, or trainees and apprentices) or mature aged workers aged 45-64 (57 percent of respondents). One fifth of staff are recruited through Job Active providers and, notably, employers in the South East Melbourne Region are just as likely to recruit recent school leavers as they are individuals with a VET qualification.

To support the right people apply for the right job based on their skills and qualifications, it is important that employment related services in the region such as Job Active and other work and learning centres provide a more streamlined service. This should be focused on better coordinating their roles to connect job seekers with employers and vice versa.

Some businesses across the regions have pursued the option of recruitment of overseas workers to fill skill gaps, through Temporary Work (Skilled) visas (subclass 457), rather than sourcing local skilled workers. This recruitment approach is higher in the community services and health industry and manufacturing industry. Significant engagement with overseas workers in the South East Melbourne Region is illustrated through VET training data, which shows high enrolment levels in general education and English literacy courses, and refugee Job Active caseloads, which are the fifth highest across all regions in Australia.

[8] AI Group, Economics fact Sheet – Labour Turnover in 2018. Accessed via: https://cdn.aigroup.com.au/Economic_Indicators/Fact_Sheets/2018/Labour_Turnover_in_2018_Fact_Sheet.pdf

5. Common challenges and opportunities

Employer engagement has identified several key challenges and opportunities that are consistent across each of the key industry groups in the South East Melbourne Region. The VET system, in collaboration with industry, can play an important role in addressing these challenges to ensure the nuanced training and skilling needs of industry are met. However, one of the most important opportunities for businesses within the South East Melbourne Region, and for the VET system, is to realign employers' understanding and expectations of the skills a VET graduate is likely to have and what skills and attributes are to be developed by the employer in the workplace. Many employers highlighted an expectation that VET graduates should be ready to work productively on their first day. This may be a result of a misunderstanding of the skills developed through Vocational Training, however is most likely an issue that is compounded by the increased reliance of employers in the South East Melbourne Region on hiring staff through labour hire arrangements. With fewer employers offering ongoing direct employment relationships with their staff, a consequential reduction in the willingness of employers to invest in on-the-job training for their staff has resulted.

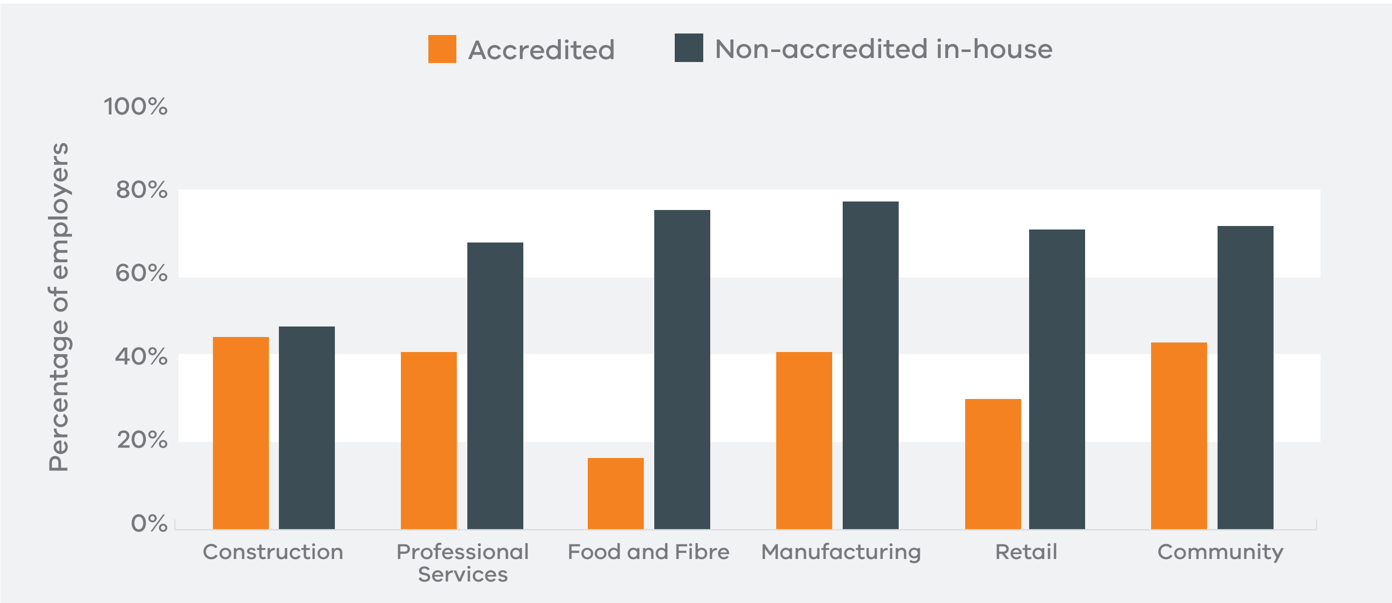
Developing a skilled workforce is a two way street. It requires the coming together of the supply and demand side of the labour market to deliver on the skills required by industry and the alignment of opportunities for VET graduates and existing workers. Industry has an enormous responsibility to plan and articulate common sectoral skilling requirements by occupations to ensure the supply side - the training provider - can deliver against this requirement.

In a period where the ageing workforce continues to dominate as a significant demographic, industry must do more to create opportunities for apprenticeships, traineeships and other entry level jobs necessary to allow young people to transition successfully from school to work.

Preference of employers for non-accredited in-house training across most industries

Across all industries, only 37 percent of employers reported that training is a priority for their business, with 16 percent providing no training at all. Almost half of employers consulted (48 percent) invest less than 5% of their annual payroll in training and two thirds do not make use of government subsidies. A quarter of employers who provide training still feel that staff are undertrained in the skills required to perform their role. As shown in Figure 10 below, most employers provide in-house training and only 38 percent use accredited or certified training through external providers. Employers in the construction industry are most likely to favour accredited training, as many of the trades have traditional pathways through the apprenticeship system. In 2017, there were a total of approximately 71,000 enrolments in VET courses, with a year on year decrease from 2014-17 of 15 percent. The latest apprenticeship and traineeship data shows that in 2018, there were approximately 3,900 enrolments in apprenticeships with 1,500 completions, as well as 4,650 enrolments in traineeships with 3,350 completions.

Figure 10: Type of training provided by employers in the South East Melbourne Region



In-house training is usually provided when employers perceive that their requirements are more specialised and industry-specific than courses offered by external providers, and due to the costs associated with external training providers (e.g. backfilling staff). Therefore, there is some demand from employers to increase the customisability of training products, offering employers the flexibility to customise content and delivery method in their training courses. For employers that provide accredited training, the majority use a private RTO (61 percent of respondents) with TAFE the second most popular (43 percent of respondents), and the majority (81 percent of respondents) stated that they have no issues with the current qualifications offered.

The preference for in-house training may also stem from low awareness of the VET system. Employers in the professional services (62 percent of respondents), retail (51 percent of respondents) and manufacturing (46 percent of respondents) industries reported limited or no awareness of what training providers offer. The construction, manufacturing and retail sectors were most likely to know of the government subsidised VET system, with a third of employers reporting awareness of most or all qualifications offered. Importantly, many employers also reported that there were either no local training providers (29 percent of respondents) or no training providers in the area delivering the skills they required (44 percent of respondents) which indicates a potential misalignment between the offerings of local VET providers and the skills required by local businesses.

Common challenges and opportunities for employers exist

Figure 1: Share of employment by industry sector (South East and Mornington Peninsula Region), 2017/18 below provides an outline of the identified challenges and opportunities which are common across industries. The VET system, in collaboration with industry, will play an important role in addressing these challenges to ensure the nuanced training and skilling needs of industry are met.

Table 3: Common challenges and opportunities for the VET system

Current challenges to vocational training and skills	Opportunities for the VET system
Employers across key industries find that navigating the training system is difficult and often struggle to identify training solutions that will meet their needs.	**Simplify the Funded Course List** through prioritisation of common high value qualifications. **Develop a high-level menu of training options for different industries.** This could be achieved through direct engagement of the South East Melbourne Councils and existing industry networks.
Many employers reported challenges to attracting workers to their industry due to outdated perceptions on the nature of work and the potential for a future career.	**Increase exposure of high school students to local careers** in the class room and on the job. This may be through adoption of the Victorian Government's new Careers Education model which combines work experience, industry tasters and improved information provision for students.
Employers identified a lack of job-readiness in new entrants across the entry-level workforce. This includes skills such as communication, self-management, customer service and social intelligence.	**Improve advice and information to employers** about how they can best support graduates to build on the skills developed through a VET qualification by way of induction and ongoing mentoring in the workplace. **Explore options to increase the delivery of apprenticeships and traineeships** (incl. through the HeadStart program) to allow students to experience practical engagement with key industries.
Dependence on mature workers is creating an ageing workforce problem, which will significantly increase demand for replacement staff who will need to be upskilled.	**Deliver meaningful pathways for new entrants** though stronger employer support and mentoring for new entrants to the workforce, including apprentices and trainees.
There is demand for increased leadership and management skills in experienced workers across all industries (e.g. difficulty recruiting workers into supervisory positions).	**Work with employers to contextualise leadership and management training** offered by local training providers to the relevant sector/industry and support workers to transition into supervisory and/or managerial roles.

6. Manufacturing

Strong links to local industries and global connections will support continued growth

Manufacturing is a major driver of the South East Melbourne Region's economic output and generates $12 billion annually. Manufacturing products and services represent over 30% of the South East Melbourne Region's total output (including associated wholesale trade, transport and warehousing services), which translates to about 44 per cent of metropolitan Melbourne's manufacturing product.[9] Key products include technical equipment, metal fabrication, plastic & chemicals, automotive and transport, pharmaceuticals, windows and doors.

More than 300 exporters are based in the region, which reflects strong international links and the international competitiveness of local manufacturers. Manufacturing activity is centred around several current industrial hubs including Dandenong, Frankston and Kingston, enabled by strong connections with the local construction industry, transport linkages including the Monash Freeway and EastLink, proximity to the Port of Hastings and a growing warehouse and logistics sector. The development of new industrial hubs such as the Pakenham South Employment Precinct and the Carrum Downs Industrial Precinct mean manufacturing in the South East Melbourne Region is predicted to continue to grow.[10]

Following the decline of automotive manufacturing, the industry has come under substantial pressure to adapt to changing local and global conditions, and this is likely to continue to affect manufacturers across the South East Melbourne Region. The CSIRO Advanced Manufacturing Roadmap Report notes that the transformation of global supply chains, the growth in bespoke solutions, and technological advances have shifted the local manufacturing landscape to favour the production of high-value, customised, sustainable manufacturing products. Manufacturers will require connections to an increasingly global customer, and seek opportunities to differentiate their product offering to remain competitive.[11] The Victorian Government has taken steps to support the transition of manufacturing businesses, through the provision of $2 million of capital funding through the Local Industry Fund for Transition (LIFT) for businesses who look to expand in the outer Melbourne regions.[12]

As part of the movement away from automotive manufacturing, the industry has transitioned from a small number of very large employers, to an industry comprised of many small employers with an increased focus on advanced or niche manufacturing[13]. While several large employers remain in the region, currently 80% of manufacturers employ less than 20 people and 90% employ less than 30 people.[14] Links to the automotive manufacturing sector still exists in the region however, with Volgren, Australia's largest bus body builder, having its manufacturing head office in Dandenong and recently putting its first ever electric bus into production.

One of the South East Melbourne Region's largest manufacturing employers, Jayco, employs more than 1,100 people in the region to produce recreational vehicles.[15] Jayco's target market are Australians with families and grey nomads, and they anticipate consistent growth due to an ageing population demographic in the region and across Australia, as well as an increased number of baby boomers retiring.

Victoria is already a world-leading location for the development and manufacturing of biotechnology and medical technology, with international manufacturers having set up major operations in the South East Melbourne Region, including Pfizer and Aspen Pharmacare (over 300 employees in the region).[16] In 2018, Nutribiotech, a nutritional supplement producer with factories in China, Korea and the US, also chose the South East Melbourne Region as the location of its fourth global manufacturing facility. The new factory in Dandenong created 150 new full-time jobs.[17] Again, a key driver of the pharmaceutical industry is the proportion of the population aged 50 and older.

Steel and glass manufacturers also forecast growth due to expanding demand in the residential and commercial building markets. Viridian Glass has 310 employees across multiple locations in the South East Melbourne Region.[18] BlueScope, Australia's largest steel manufacturer, has operations in Dandenong producing roofing, steel building frames, and flooring among other products.[19] Surdex Steel, another of Australia's leading steel providers has a plate processing plant located in Dandenong South.[20]

[9] South East Melbourne Manufacturers Alliance (SEMMA) – Response to Inquiry into Manufacturing in Victoria. Accessed via: https://www.parliament.vic.gov.au/archive/edic/inquiries/manufacturing_in_victoria/submissions/VMI_Sub_36_SEMMA.pdf

[10] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf

[11] CSIRO Advanced Manufacturing Roadmap – Executive Summary. Accessed via: https://www.csiro.au/~/media/1critical/IndustryRoadmap_AdvancedManufacturing.pdf?la=en&hash=A76BB5633AEC92207ADEC859D08D4403540F4949

[12] Business Victoria - Local Industry Fund for Transition – Program Overview. Access via: http://www.business.vic.gov.au/support-for-your-business/grants-and-assistance/local-industry-fund-for-transition#

[13] ABC News, 2018. Car-manufacturing jobs in Victoria give way to new high-tech industries. Accessed via: https://www.abc.net.au/news/2018-11-22/victorian-manufacturing-jobs-rebound-into-high-tech-industy/10520342

[14] South East Melbourne Manufacturers Alliance. South East Region. Accessed via: https://www.semma.com.au/region

[15] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf

[16] Herald Sun, 2015. Aspen Pharmaceuticals workers' strike over pay and conditions extends to a third day. Accessed via: https://www.heraldsun.com.au/leader/south-east/aspen-pharmaceuticals-workers-strike-over-pay-and-conditions-extends-to-a-third-day/news-story/778cd00a7267c8449602c689e0bf0493

[17] Invest Victoria, 2018. Korean manufacturer Nutribiotech chooses Melbourne for new plant. Accessed via: http://www.invest.vic.gov.au/news-and-events/2018/jan/korean-manufacturer-nutribiotech-chooses-melbourne-for-new-plant

[18] IBIS World. Major Companies. Accessed via: http://clients1.ibisworld.com.au/reports/au/industry/majorcompanies.aspx?entid=206#MP10

[19] BlueScope Australia. Our Company. Accessed via: http://www.bluescopesteel.com.au/our-company

[20] Suredex Steel. About Surdex Steel. Accessed via: http://www.surdexsteel.com.au/about/

New skills required to enable industry to adapt and remain strong in the region

The South East Melbourne Region has approximately 5,000 manufacturing enterprises with 72,000 full-time and part-time manufacturing jobs, which accounts for one quarter of all manufacturing jobs in Melbourne[21] and 14.2 percent of the total employment in the region. Metal fabrication (17 percent) and transport technologies (16 percent) are the biggest employers. Top occupations include ICT workers, Managers, Designers, Engineers, Scientists, Machine operators, Drivers and Factory workers. The average annual salary for manufacturing workers is $73,000, with the top paying sectors, chemical manufacturing and metal product manufacturing, paying $111,000 and $94,000 respectively.[22] Conservative estimates show that for every manufacturing job, four more are dependent in connected industries, meaning the region is dependent on manufacturing to remain strong.[23]

Table 4: Employment in the manufacturing sector – South East Melbourne Region 2018

Manufacturing	South East Melbourne Region
Proportion of total employment in the South East Melbourne Region	14.2%
Number of individuals employed	72,159
Number of businesses	4,961

Source: ABS cat. No. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

Manufacturers in the region have struggled to attract and retain new workers with the right combination of both technical and transferrable skills. The technical skills gaps identified by employers appears to be mainly in applied technologies in the manufacturing setting. Specific skills include machine operators, assembly operators, press-brake operators, fitting/turning and plastic extrusion.

Employers also report that the public perception is that the industry is in decline, due to publicity surrounding the closure of the automotive industry and a lack of awareness of new opportunities in advanced manufacturing. Competition with the construction industry (due to increased demand from major infrastructure projects) for skilled workers who would traditionally be attracted to the manufacturing industry is exacerbating the challenge. Several employers stated they would double their headcount if they had access to staff with the right qualifications. If not addressed, this skills gap is likely to lead to increased operating costs (76% of respondents), product withdrawals and delays (70% of respondents), and, in some cases, deciding to shift processes off-shore.

Looking ahead, only 33 percent of employers feel they have the skills required for the next five years. Seventy percent reported that they are concerned about the technology skills gaps that are likely to emerge over the next five years, as the broader adoption of technology-intensive processes and service-integrated business models will drive demand for STEM capabilities.[24] In addition, employers anticipate increased demand for innovation skills to improve product and service design. When considering leadership and management capabilities, most manufacturers reported examples of difficulties in training workers to be 'solution focused', and to gain an understanding of the supply chain and customer relationship management. These skills were identified as important so that workers can make business decisions which take into account the impact on other parts of the supply chain and, ultimately, their customers.

Victoria is already a world-leading location for the development and manufacturing of biotechnology and medical technology, with international manufacturers having set up major operations in the South East Melbourne Region

[21] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf
[22] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf
[23] South East Melbourne Manufacturers Alliance. South East Region. Accessed via: https://www.semma.com.au/region
[24] The Victorian Labour Government - Advanced Victorian Manufacturing – A Blueprint for the Future September 2017. Accessed via: https://www.business.vic.gov.au/__data/assets/pdf_file/0007/1544335/10764-DEJTR-EIT-Advanced-Manufacturing-Statement-WEB-V2.pdf

Increased training is required for new entrants to replace an ageing workforce

Due to a preference to hire mature workers for key positions, rather than training inexperienced new entrants, a large proportion of the skilled workforce in manufacturing is above 60 years old. The replacement of these workers will eventually require an increase in the number of entry level staff joining the sector, who will need to be upskilled progressively. Consulted businesses reported to frequently opt to employ workers on short-term contracts and/or rely on labour hire to provide the opportunity to observe the performance of the individual on-the-job, before they offer a permanent role. Employers are less likely to invest in training for individuals employed in a labour hire capacity.

One third of manufacturers identified training as a priority within their business, and over half reported some focus on training but that it is not a priority. Due to the specialised nature of training requirements, more than three quarters of manufacturers provide in-house non-accredited training to staff, and only 41 percent reported use of external accredited or certified training. Of the employers who provide accredited training, the most common qualifications were technical job-related qualifications (61 percent of respondents), VET Certificate Level II, III or IV (51 percent of respondents) and apprenticeships (50 percent of respondents). Table 5 below shows the top 10 most popular VET qualifications (by enrolment) for the manufacturing industry in 2017.

Table 5: Top qualifications in 2017

Course Code	Top qualifications	2017 enrolments	Trend since 2015
MSS40316	Certificate IV in Competitive Systems and Practices	783	Decrease
AUR30616	Certificate III in Light Vehicle Mechanical Technology	737	No change
MEM40105	Certificate IV in Engineering	603	No change
MSS30316	Certificate III in Competitive Systems and Practices	567	Decrease
MSM40116	Certificate IV in Process Manufacturing	487	Decrease
MEM30205	Certificate III in Engineering - Mechanical Trade	353	No change
MEM30305	Certificate III in Engineering - Fabrication Trade	278	No change
MSF31113	Certificate III in Cabinet Making	221	No change
AUR20716	Certificate II in Automotive Vocational Preparation	211	N/A (new)
22470VIC	Certificate II in Engineering Studies	198	No change

In addition to current training offerings, employers highlighted potential opportunities for vocational training product development in key skills areas including plastic extrusion, computer numerical control (CNC) machining and OH&S courses aligned to global standards.

VET can support employers to provide hands on experience to develop entry level workers

Manufacturers within the South East Melbourne Region identified additional specific challenges and opportunities for the sector in vocational training, as outlined in Figure 1: Share of employment by industry sector (South East and Mornington Peninsula Region), 2017/18 below.

Table 6: Identified challenges and opportunities

Current challenges to vocational training and skills	Opportunities for the VET system
Manufacturers identify difficulties in attracting new entrants to the industry due to perceptions that the manufacturing industry is in decline.	**Rebrand the manufacturing industry as a dynamic sector** with opportunities to work in highly technical areas. **Build awareness around the attractiveness of the manufacturing industry and potential career pathways** through partnerships between industry and RTOs, local councils, employment service providers and schools.
Employers reported shortages in machine operators, assembly operators, press-break operators, fitters/turners, plastic extrusion, welders, and roles linked to prefabrication and electronics.	**Increase delivery of pre-apprenticeships and School-Based Apprenticeships and Traineeships** in engineering qualifications in South East Melbourne to support a workforce pipeline. **Improve alignment of training delivery** within South East Melbourne to occupational need.
Traditional training pathways are being disrupted from increased skill requirements for entry level roles (due to new technologies) and the preference of employers to target mature aged workers.	**Improve capability of local employers to support and mentor new entrants** to the workforce and apprentices to gain the necessary skills. **Review training products and apprenticeship pathways** to ensure employees have the skills to respond to changes in work as new and emerging technologies are adopted.
Training for specialist skills (e.g. plastic extrusion, computer numerical control (CNC) machining and OH&S aligned to global standards) is difficult to obtain locally. Consulted employers reported sending staff overseas for tailored training.	**Partner with industry to ensure that available training offerings meet the needs of local employers** and update or develop relevant training product where required.
Many workers experience challenges with language and literacy due to manufacturer dependence on migrant workers (including 457 visas) and long term unemployed for labour.	**Engage with industry to ensure there are meaningful training and employment pathways** for individuals to obtain the technical and general skills they need either before or once they have commenced employment. **Improve access to non-accredited training in English and communication** for workers already employed who have low levels of literacy.
Employers reported a lack of training providers and suitably skilled educators to meet future training needs of the rail sector.	**Increase number of providers delivering the Certificate IV in Electrical – Rail Signalling** to boost rail workforce in South East Melbourne metropolitan region. **Explore alternative teacher development models** to identify and skill rail educators and assessors for the industry.

7. Construction

A strong property market and public investments provide a positive medium-term outlook

Significant population growth in recent years has fuelled the construction industry in the South East Melbourne Region. From 2016 to 2017, the population in the region grew by close to 30,000 residents. Rapid development of dwellings and other community infrastructure has been required to meet this growth. The City of Casey and Cardinia Shire, where the year on year percentage change in the resident population for 2016-2017 was 5% and 4.4% respectively, accounts for close to 70 percent of the total reported increase.[25] Recent data shows that more than 8,000 new houses were built in the South East Melbourne Region in 2017-2018, mostly in Casey where 4,700 new houses were reported.[26]

As described previously in Figure 3, population growth in the region is expected to exceed the average in Victoria over the coming years. As a result, 30 percent of residential property bought in Melbourne is in the South East Melbourne Region.[27] This is expected to contribute to the importance of the residential construction industry to the local economy.

Strong growth and investment in the industrial property market also presents opportunities for developers and commercial builders in the South East Melbourne Region. The price of industrially zoned land is going up and land banking has started again in the region, driven by a strong retail sector with logistics and e-retail driving demand for space in the region.[28]

The scale of both population growth and investment in regional infrastructure is likely to sustain high levels of employment in the construction sector in the near term. Construction employment has also been supported by the Victorian Government's investment in local infrastructure projects to support the population growth. The scale of projects is significant and includes the recent $63 million for the Frankston Station Precinct Redevelopment,[29] a $750 million upgrade of the Cranbourne train line[30], $562 million for the redevelopment of Frankston Hospital[31] and the $543 million development of Victorian Heart Hospital in Monash (which will create approximately 1,700 jobs over its four-year construction period)[32], as well as other significant road and transport investments.

The development of skilled workers is essential to capitalise on current conditions

The Construction industry is the fourth largest industry by employment size in the South East Melbourne Region and consists of 13.7 percent of the workers within the region. With around 19,000 construction enterprises and approximately 68,000 individuals employed in the industry, the South East Melbourne Region accounts for 22 percent of all construction jobs in Victoria.

Table 7: Employment in the construction sector – South East Melbourne Region 2018

Construction	South East Melbourne Region
Proportion of total employment in the South East Melbourne Region	13.7%
Number of individuals employed	67,829
Number of businesses	19,210

Source: ABS cat. No. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

Industry survey results indicated that 74 percent of construction businesses had significant challenges finding workers with the required skills and qualifications to fill available positions. This was validated through consultation where shortages were reported in traditional trades such as carpenters, electricians, brick layers and concreters as well as with both apprentices and labourers. According to employers, the shortage of new recruits can be directly attributed to the significant level of economic activity in the construction industry across the South East Melbourne Region and the whole of Victoria. The increased demand for workers creates competition that has led to poaching (both from within the construction sector and other related sectors) as well as increased wages.

[25] ABS cat. No. 3218, Regional Population Growth, Estimated Resident Population, Local Government Areas Victoria, 2016-2017
[26] ABS cat. No. 8731, Building Approvals, 2017-2018
[27] Pitcher Partners, 2018. Insight into Melbourne's South East Property Market. Accessed via: http://www.pitcher.com.au/news/insight-melbourne%E2%80%99s-south-east-property-market
[28] Pitcher Partners, 2018. Insight into Melbourne's South East Property Market. Accessed via: http://www.pitcher.com.au/news/insight-melbourne%E2%80%99s-south-east-property-market
[29] Victorian Government Media Release – Full Steam Ahead for New Frankston Station, 20 February 2018. Accessed via: https://www.premier.vic.gov.au/full-steam-ahead-for-new-frankston-station/
[30] Victorian Government Media Release – Delivering Trains Every 10 Minutes on the Cranbourne Line, 26 August 2018. Accessed via: https://www.premier.vic.gov.au/delivering-trains-every-10-minutes-on-the-cranbourne-line/
[31] Victorian Government Media Release – Building A World Class Hospital for Frankston Families, 10 September 2018. Accessed via: https://www.premier.vic.gov.au/building-a-world-class-hospital-for-frankston-families/
[32] Victorian Health and Human Services Building Authority. Victorian Heart Hospital. Accessed via: https://www.vhhsba.vic.gov.au/health-infrastructure/victorian-heart-hospital

On average, employers in construction are more likely than other industries to find it difficult to build leadership skills within their organisation (65% of respondents). Many reported challenges in relying on progression of internal staff into supervisory positions. In-house training is often used to support workers' transition into supervisory positions, however this process has had variable success.

Approximately half of the construction businesses surveyed state that school leavers are a key source for their workers (compared to 35% across all industries). Employers reported difficulties with this cohort of new recruits in relation to their understanding of the basic expectations in a workplace (such as punctuality, respectful behaviour, and use of personal devices during work hours).

All employers anticipated identified skills gaps to remain over the next five years, with the greatest concerns for technology skills gaps that are likely to emerge over this period. The growth of new technologies in construction, such as off-site construction and digital technologies will impact on the composition of the industry's workforce. Wider skills in areas such as engineering and design will be needed, while the demand for some lower or manual skilled roles may eventually reduce or transition to other parts of the infrastructure and building supply chain. If not addressed, the skills gap is likely to lead to increased workload on other staff (75% of respondents), increased operating costs (73% of respondents), and an inability to meet customer demands (70% of respondents).

Reliance on accredited training drives strong engagement with VET

Construction businesses are heavily reliant on the accredited training system, with 100 percent of employers reporting that they provide some form of accredited training to their workers. The construction industry's reliance on and awareness of the training system is likely to be a result of the focus on licensed trades, the linking of qualifications to industry awards classifications and a longer history of using the VET system to train workers compared to other sectors.

Technical, job-related qualifications and apprenticeships are the most common type of accredited training for construction workers (65 percent of employers reported that they provide these accredited training courses to their workers). Most construction businesses (75 percent of respondents) utilise private RTOs to provide their accredited skills training. However, despite this they are also more likely to participate in training through TAFEs than other industries (61 percent compared to 43 percent across all industries). While the industry also utilises non-accredited in-house training to meet its skills needs, it is less prevalent than in other industries (47 percent compared to 66 percent across all industries).

Table 8 below shows the top 10 most popular VET qualifications (by enrolment) for the construction industry in 2017.

Table 8: Top qualifications in 2017

Course Code	Top qualifications	2017 enrolments	Trend since 2015
CPC30211	Certificate III in Carpentry	1315	Increase
CPC32413	Certificate III in Plumbing	1185	Increase
CPC40110	Certificate IV in Building and Construction (Building)	1008	Decrease
CPC40912	Certificate IV in Plumbing and Services	434	No change
RII30915	Certificate III in Civil Construction	369	Decrease
CPC50210	Diploma of Building and Construction (Building)	343	Decrease
CPC10111	Certificate I in Construction	312	Decrease
CPC30111	Certificate III in Bricklaying/Blocklaying	274	Increase
22304VIC	Certificate II in Plumbing (Pre-apprenticeship)	272	No change
RII30815	Certificate III in Civil Construction Plant Operations	220	Decrease

The majority (78 percent of respondents) stated that they did not have any issues with the current qualifications offered by training providers. However, there were examples of negative experiences with training either being insufficiently tailored and/or lacking practical application, with training providers delivering poor quality training to workers which damaged the reputation of the training system to this sector. Given the strong reliance on accredited training, the ability to make an informed choice regarding training providers is crucial for businesses to be confident to invest in training for their workers.

Increased flexibility and consistency of accredited training programs will support industry growth

Table 9 below provides an outline of the identified challenges and opportunities for the sector, which will be referred to relevant stakeholders for consideration and future action.

Table 9: Identified challenges and opportunities

Current challenges to vocational training and skills	Opportunities for the VET system
Lack of flexibility in training delivery (specifically outside of business hours) limits the ability of mature aged workers to upskill and reskill with construction related skills.	**Provide flexible training arrangements** for workers to retrain and businesses (particularly small businesses) to upskill more of their workers.
Employers reported shortages in carpenters, electricians, brick layers, concreters, apprentices and labourers. Further, demand for construction services over the next five years is forecast to significantly outstrip supply.	**Build awareness around the attractiveness of the construction industry and potential career pathways** (including remuneration comparisons) through partnerships between industry and RTOs, local councils, employment service providers and schools. I**ncrease apprenticeship numbers across trades (particularly, electricians, concreters, carpenters and brick layers).** Opportunities to undertake school-based apprenticeships in traditional trades should be reviewed and improved if required.
Construction workers are becoming increasingly specialised in work performed without the breadth expected of a qualified employee. This will have implications for future employability and employer confidence in trade qualifications.	**Educate employers of their obligations** to expose apprentices to the full breadth of skills required for the relevant trade. **Explore rotation of apprentices within or between employers** where an apprentice is limited to performing highly specialised work. **Investigate independent assessment of an individual's competencies** at completion of trade qualification as part of the process to obtain Trade Papers.
Employers (particularly those involved in domestic repairs) identified gaps in the problem-solving and customer management capability of technical workers.	**RTOs to review training delivery in partnership with employers** to ensure apprentices receive the right combination of skills to obtain ongoing employment.
A fifth of consulted employers are hesitant to access external training due to past experiences of poor-quality training delivered by providers and a lack of mechanisms to determine the relevance and quality of potential future courses.	**Promote opportunities for employers to be involved** in the development of, or validation of, local training provision. **Explore opportunities to increase transparency of employer views of training quality** by qualification and RTO.
Employers are concerned about the skills gaps that will emerge due to technological advancements creating diversification of products and services (e.g. prefabrication and energy-efficient home designs, new project management software, electronic maintenance systems etc).	**Review and update training products** to include competencies in new technologies.
Women are severely underrepresented in the construction workforce, less than 5.3 per cent. Anecdotally from employers this could be as low as one per cent in the South East Melbourne Region.	**Employers develop a sector workforce strategy to achieve greater gender balance.** Areas of focus include changing perceptions of construction as a male occupation and the treatment of female workers within the industry. **Improve RTO and employer awareness of existing programs and organisations aimed to increase diversity** within the construction workforce, e.g. The Lady Tradies Australia, Women in Trades programs and Tradeswomen Australia.

8. Food and Fibre

State-wide connections support growth in agriculture and food manufacturing

The Food and Fibre industry, which encompasses the food production sector, is the fifth largest industry by employment size in the South East Melbourne Region, consisting of 8.5 percent of workers within the region. The South East Melbourne Region produces some of Australia's highest quality foods and wines and is a significant contributor to the local and regional economy.[33] The industry is comprised of smaller businesses and corporate food entities who have strong growth potential if they can capitalise on established food processing and manufacturing industries in the region.

There is growing demand for local high-value agricultural goods produced in the South East Melbourne Region. More than 30 percent of the region's total value of agricultural output is produced in the City of Casey[34]. The largest commodities produced are vegetables (48.1 percent of City of Casey's total agricultural output), nurseries (28 percent) and livestock slaughtering (10 percent)[35]. Cardinia Shire is also a major producer of agricultural products. In 2015/16, the total value of agricultural output in Cardinia Shire was $290 million.[36] Livestock was the largest commodity produced, accounting for 36.0 percent. The Mornington Peninsula is a key wine-producing region. Supported by increased popularity of Australian wines overseas, particularly in Northern Asia, the Mornington Peninsula achieved a 34% increase in export volumes in 2017[37]. In 2016-2017, the wholesale value of agricultural commodities produced in the Mornington Peninsula was close to $300 million.[38]

Produce from farms and wineries in the region is used in restaurants and by food manufacturers throughout the region. Many hospitality businesses buy fresh, seasonal, local produce, a competitive advantage as consumers increasingly want to connect with the local environment, food and wine. Food manufacturing is a significant contributor across the value-added supply chain. Key related sectors include packaged foods, dairy, grains, wholesale and distribution, with 4,900 businesses and $3 billion in annual earnings.[39]

Opportunities exist to further develop and diversify the local economy, underpinned by growing demand for high-value products such as premium beef, wine, dairy, asparagus, berries, herbs and vegetables as well as further innovation in the region's strong food processing capabilities.[40]

The South East Melbourne Region also benefits from good linkages to agricultural products and workers from Gippsland and wider South East Victoria.[41] There are several large corporate food entities situated in the region, including Simplot (Kingston and Cardinia), Goodman Fielder (Dandenong), Chobani (over 200 staff in Dandenong South)[42] and Inghams (Mornington Peninsula and Cardinia). Access to agricultural products from Gippsland and South East Victoria, with good transport and freight linkages, is a key competitive advantage for these businesses.[43]

A limited number of new entrants is forecast to create skills shortages

In the South East Melbourne Region, the food and fibre industry accounts for around 5,000 enterprises and approximately 42,000 full-time and part-time food production jobs. These food production jobs correspond to 13% of all Food and Fibre jobs in Victoria.

Table 10: Employment in the Food and Fibre sector – South East Melbourne Region 2018

Food and Fibre	South East Melbourne Region
Proportion of total employment in the South East Melbourne Region	8.5%
Number of individuals employed	41,958
Number of businesses	5,016

Source: ABS cat. No. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

[33] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf
[34] EconomyID. Cardinia Shire, Economic profile Accessed via: https://economy.id.com.au/cardinia/industry-sector-analysis?IndkeyNieir=23000&BMID=42
[35] EconomyID. City of Casey, Economic profile. Accessed via: https://economy.id.com.au/casey/value-of-agriculture
[36] EconomyID. Cardinia Shire, Economic profile Accessed via: https://economy.id.com.au/cardinia/industry-sector-analysis?IndkeyNieir=23000&BMID=4
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[38] ABS cat. No. 7503, Value of Agricultural Commodities Produces, SA4 Region Victoria 2016-2017.
[39] EconomyID. Cardinia Shire, Economic profile Accessed via: https://economy.id.com.au/cardinia/industry-sector-analysis?IndkeyNieir=23000&BMID=42
[40] Australian Trade and Investment Commission. Chobani invests in the future of Victoria's dairy industry. Accessed via: https://www.austrade.gov.au/news/success-stories/chobani-invests-in-the-future-of-victorias-dairy-industry
[41] South East Melbourne – 5 Year Vision. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf
[42] Australian Trade and Investment Commission. Chobani invests in the future of Victoria's dairy industry. Accessed via: https://www.austrade.gov.au/news/success-stories/chobani-invests-in-the-future-of-victorias-dairy-industry
[43] South East Melbourne, Driving growth and prosperity in one of Australia's most economically significant, diverse and liveable regions. Accessed via: http://southeastmelbourne.org/wp-content/uploads/2017/12/South-East-Melbourne-SEM-5-Year-Vision-web-version-v3.pdf

The survey responses and subsequent consultations with Food and Fibre businesses within the South East Melbourne Region identified specific challenges and opportunities for the sector in vocational training. While the survey did not define the Food and Fibre industry as such, responses from businesses within the primary industries have been directly attributed to the Food and Fibre sector and the two have been used interchangeably in this report.

Approximately half of employers (55 percent) reported challenges finding people with the right skills and qualifications to fill vacant positions. Employers identified that the most important skill for new workers was an overall understanding of food production, safety standards and manufacturing processes, with only 20 percent of respondents citing customer service as a focus. However, all employers reported a gap in management and leadership skills, compared to 62 percent across all industries surveyed. This is a specific issue for small employers, where requirements of day-to-day operations on the production floor limit the ability of supervisors to focus on process improvement and business development, which means that clear long-term vision and goals are often lacking.

Another driver of the sector's skills gap is the limited number of experienced workers who have skills that are directly transferable within the industry. Seventy four percent of employers provide in-house training due to the specialised nature of the roles. This is driven by the automation of factories and process lines reducing unskilled jobs, and increased demand in jobs to operate specialised equipment. This leads to a limited transferability of skills within the industry when workers move between employers, largely due to the seasonality of the work (for example, wine production and fruit picking).

Looking ahead, most employers (84 percent of respondents) expressed concerns that the workload will increase significantly for existing staff due to the lack of skilled workers entering the workforce. As a result, 68 percent of employers reported a strong preference to recruit mature workers with industry-specific experience. Difficulties in finding suitable new recruits are linked to the perceived lack of career progression opportunities in the industry, particularly by younger generations. However, current hiring practices mean the industry will inevitably face the challenge of an ageing workforce, which will require the training of new workers in technical and industry specific skills to replace them.

Four out of five employers reported that new technology-related skills will be required over the next five years. Increased automation in primary production and manufacturing means the sector's skills needs will continue to evolve. Technological advances including robotics, new packaging materials, digital and wireless technologies, and biotechnology will continue to spur changes along the food and fibre value chain. The production of new bio-products from plant and animal origins, such as new fibres and materials, will also continue to emerge. While fewer traditional labouring skills will be required, more highly skilled, technical, data analysis and managerial capabilities are likely to be in high demand.[44]

Low engagement with VET is driven by business-specific processes and negative past experiences

Most employers in the food and fibre industry (88 percent of respondents) reported that upskilling staff is not a priority for their business, despite an increasing skills demand. Unlike other industries, food and fibre employers are not heavily reliant on the accredited training system. Only five percent of employers indicated that they were using a government subsidised program to assist with their workforce training.

The main training focus for the industry is compliance with food standard and regulatory requirements for food production aligned to workplace processes (particularly around food hygiene and allergies). Due to the frequency at which legislation requirements are evolving, employers reported finding it costly and difficult to accommodate adequate training. Due to the specialised nature of training requirements, more than three quarters of employers provide in-house non-accredited training and only 16 percent reported providing access to external accredited or certified training courses. Table 11 below shows the top 10 most popular VET qualifications (by enrolment) for the food and fibre industry in 2017.

[44] Victoria State Government, 2016. Victoria's Future Industries – Food and Fibre Sector Strategy. Accessed via: http://www.business.vic.gov.au/__data/assets/pdf_file/0007/1275460/Food-and-Fibre-strategy-web-version-20160310.pdf

Table 11: Top qualifications in 2017

Course Code	Top qualifications	2017 enrolments	Trend since 2015
FBP30117	Certificate III in Food Processing	584	Decrease
FBP30517	Certificate III in Baking	338	No change
AHC30916	Certificate III in Landscape Construction	250	No change
AHC20416	Certificate II in Horticulture	238	Decrease
AHC21016	Certificate II in Conservation and Land Management	232	Increase
AHC30816	Certificate III in Arboriculture	206	Increase
AHC32816	Certificate III in Rural Operations	162	Increase
FDF40110	Certificate IV in Food Processing	143	No change
AHC21216	Certificate II in Rural Operations	134	Increase
AHC31316	Certificate III in Sports Turf Management	123	No change

The regularity of changes to legislation and food preparation standards introduces added complexity for the VET system to reflect new requirements within training products. Employers highlighted that part of the reason for low engagement is a result of the industry being targeted by low quality training providers in previous years, who offered government-subsidised training in the workplace. This experience had negatively impacted the views of several employers in this sector, resulting in a poor perception of the VET system, low awareness of available training and a reluctance to re-engage. This perception is reflected in the survey results where only a quarter of employers stated that external training providers had the knowledge and experience required (compared to 49 percent for all industries surveyed). Employers particularly noted that training offerings failed to align to the latest food safety requirements.

Opportunities and challenges for the VET system

Table 12: Identified challenges and opportunities below provides an outline of the identified challenges and opportunities for the sector, which will be referred to relevant stakeholders for consideration and future action.

Table 12: Identified challenges and opportunities

Current challenges to vocational training and skills	Opportunities for the VET system
Business-specific skills developed through in-house training are not always transferrable as workers move between employers throughout the region. Consulted employers reported having to retrain new workers.	**Engage employers to identify common training needs** across the industry and develop training products to address these.
Smaller food and fibre employers cited backfilling roles and impact on business productivity as major barriers in providing access to training courses for workers.	**Provide flexible training arrangements** for workers to retrain and businesses (particularly small businesses) to upskill more of their workers.
VET offerings do not always comply with continually changing health and safety and food safety standards. Employers reported that the cost of non-compliance is significant, often resulting in the recall of products.	**Regularly review local training in OH&S and food safety standards** to ensure new workers are appropriately trained to meet requirements.
Employers (particularly those involved in domestic repairs) identified gaps in the problem-solving and customer management capability of technical workers.	**Review current training products to ensure** competencies in new and emerging technologies are included.

9. Retail, Business, Hospitality and Tourism

Potential for growth in tourism and hospitality sectors

The Retail, Business, Hospitality and Tourism industry for this Snapshot includes the ABS defined industry sectors of Accommodation and food services[45], Retail trade, Financial and insurance services, Rental, hiring and real estate services, and Professional, scientific and technical services.[46] These sectors represent the largest industry by employment size in the South East Melbourne Region and consist of 34 percent of the workers within the region.

The performance of the retail, business and hospitality sector is enabled by the region's growing tourism focus. The South East Melbourne Region, particularly the Mornington Peninsula and Frankston, is one of Victoria's most popular tourist destinations. In the year ending June 2018, more than 7.4 million domestic and international tourists visited the area and spent more than $1.1 billion in the local economy.[47] Visitors travel to the region for its wineries, coastal experiences, national parks, golf courses and events.[48] This growth is partly a result of an estimated $800 million industry investment in new developments (e.g. $13 million development of the Peninsula Hot Springs in 2018)[49] and a strong global economic outlook for main visiting countries (China, India, NZ, Japan, US, Europe)[50]. The region of Greater Dandenong also has a strong tourism industry, with approximately $690 million generated through tourism annually.

Domestic tourism accounts for more than 95 percent of all visitors to the Mornington Peninsula (approximately 5.2 million day trips and 1.6 million overnight), with 97 percent of domestic tourists coming from interstate. Domestic overnight expenditure in 2018 was estimated to be $629 million (a 24.3 percent year-on-year increase), with visitors spending an average of $125 per night and $342 per visitor. Domestic day trip visitors spent an estimated $442 million in the same period, an increase of 6.3 percent compared to the previous year. Numbers of international visitors also increased by 25 percent in 2018 (159,000 day trip visitors and 62,600 overnight visitors).[51]

The Hospitality Industry is a significant source of employment opportunities on the Mornington Peninsula. Restaurants and cafes, gaming venues, pubs and bars, hotels and accommodation, and wineries and vineyards are all accessible in the local area.[52] New developments are supported by horticulture, such as the $40 million development of the Jackalope Hotel, which opened in 2018. This vineyard property on the Mornington Peninsula coast was named Australia's Hotel of the Year at the annual Gourmet Traveller Australian Hotel Guide Awards.[53] Portsea Hotel, another luxury boutique hotel on the Mornington Peninsula, underwent development designed to re-establish the Portsea Village as an all-year-round tourist destination.[54]

The South East Melbourne Region is home to some of the largest retail centres in Victoria. Fountain Gate shopping centre in Narre Warren is one of the largest in Australia, with more the 450 retailers and 15.6 million annual customer visits. Servicing a trade area of more than 500,000 people, it is one of the few shopping centres in Australia to record annual sales of more than $1 billion, with $1.04 billion achieved in 2017.[55] Another shopping centre, Westfield Southland, is located in the City of Kingston, with 388 retailers, more than $800 million in annual retail sales, and 14.6 million annual customer visits.[56] In 2016, Casey Central Shopping Centre underwent a $155 million redevelopment, which increased the total number of retailers to more than 90.[57] [58] Several smaller shopping centres service other areas in the region, including Arena and Lakeside shopping centres in Pakenham, and Springhill Shopping Centre in Cranbourne. Due to forecasted growth in housing and population in the region, five shopping centres across the South East Melbourne Region were sold to investors between 2016 and 2017, for a total of over $350 million.[59]

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[45] Accommodation and food services is reflected in both the Retail, Business, Hospitality and Tourism industry and the Food and Fibre industry

[46] Please note that the Accommodation and food services industry is also included in the Food and Fibre industry. This means that the number of individuals employed in the Retail, Business, Hospitality and Tourism and the Food and Fibre industry intersect and the sum of the proportion of total employment in the South East Melbourne Region does not equal 1.

[47] Business Victoria – Mornington Peninsula Regional Tourism Summary, Year Ending June 2018. Accessed via: http://www.business.vic.gov.au/__data/assets/pdf_file/0008/1611944/Mornington-Peninsula-Regional-Summary_YEJune18_FINAL.pdf

[48] Austrade. Tourism 2020. Tourism Employment Plan – Developing a sustainable tourism and hospitality industry workforce for the Mornington Peninsula and Phillip Island. Accessed via: https://www.voced.edu.au/content/ngv%3A77674

[49] Broadsheet, 2018. Peninsula Hot Springs Undergoes a $13 Million Expansion. Accessed via: https://www.broadsheet.com.au/melbourne/entertainment/article/peninsula-hot-springs-13-million-expansion-ice-cave

[50] Austrade, 2017. Tourism Research Australia – Tourism Forecasts. Accessed via: https://www.tra.gov.au/ArticleDocuments/257/Tourism%20Forecasts.pdf.aspx?Embed=Y

[51] Passion for the Peninsula. Partnership Prospectus 2018/2019. Accessed via: http://www.visitmorningtonpeninsula.org/Portals/0/Publications/MembershipProspectus2018-19/

[52] Tourism Travel and Hospitality Workforce Development Strategy 2014-2019. Accessed via: http://www.serviceskills.com.au/tourism-travel-and-hospitality-workforce-development-strategy-2014-2019

[53] News.cm.au, 2017. Jackalope on Mornington Peninsula named Australia's best hotel. Accessed via: https://www.news.com.au/travel/australian-holidays/victoria/jackalope-on-mornington-peninsula-named-australias-best-hotel/news-story/f4b4bae2c0d1866bea8ae90fc7a590f9

[54] Accom News, 2019. Hotel investors spend big on Victoria's heritage properties. Accessed via: https://www.accomnews.com.au/2018/12/hotel-investors-spend-big-on-victorias-heritage-properties/

[55] Scentre Group. Westfield Fountain Gate. Accessed via: https://www.scentregroup.com/our-portfolio/Centres/westfield-fountain-gate

[56] Scentre Group. Westfield Southland. Accessed via: https://www.scentregroup.com/Our-Portfolio/Centres/Westfield-Southland

[57] Shopping Centre News, 2016. Casey Central. Accessed via: https://www.shoppingcentrenews.com.au/shopping-centre-news/casey-central/

[58] Casey Central. Discover. Accessed via: https://caseycentral.com.au/

[59] CBRE Group, 2017. Melbourne's south east proving popular for shopping centre buyers. Accessed via: https://www.cbre.com.au/about/media-center/melbournes-south-east-proving-popular-for-shopping-centre-buyers

The importance of customer-centric skills

With approximately 30,000 retail, business, hospitality and tourism enterprises and approximately 167,500 full-time and part-time jobs, the South East Melbourne Region accounts for 16% of all retail, business, hospitality and tourism jobs in Victoria. In the Mornington Peninsula alone, tourism generated employment for approximately 9,000 people, or 8.6 per cent of the total employment in the area (including direct and indirect jobs).[60]

Table 13: Employment in the Retail, Business, Hospitality and Tourism sector – South East Melbourne Region 2018

Retail, Business, Hospitality and Tourism	South East Melbourne Region
Proportion of total employment in the South East Melbourne Region	13.7%
Number of individuals employed	167,521
Number of businesses	29,589

Source: ABS cat. No. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

The survey responses and subsequent consultations with retail, business hospitality and tourism employers within the South East Melbourne Region identified challenges in sourcing appropriately qualified and skilled staff, particularly in the professional services (90 percent of respondents) and retail industries (71 percent of respondents). Employers are heavily reliant on sales staff and struggle to source workers with the required skills including professional autonomy, data literacy, and self-management. Other important attributes identified by employers include communication, customer service and social intelligence skills. These capabilities are often not taught in a training course but are often fundamental to the role. As a result, employers reported having to compromise and recruit staff with different skills or experience to that desired in order to fill a position (51 percent of professional services employers and 56 percent of retail employers). In the hospitality industry, employers often remunerate inexperienced staff above market rates to attract suitable candidates, which also requires them to significantly invest in the training and upskilling of these inexperienced staff.

Specific challenges were identified for employers in more rural areas (e.g. Dandenong Ranges) within the South East Melbourne Region. These employers are more likely to be impacted by a transient workforce, and there is a tendency to recruit short-term staff to meet workforce requirements during seasonal times. Limited access to public transport in rural areas of the South East Melbourne Region was also identified as having negative impacts on the ability of employers to attract and retain trained workers.

Tourism and hospitality employers anticipate an increased demand for regional staff over the next five years, particularly in relation to sourcing suitably qualified supervisors and managers, due to continued growth in visitor numbers, especially international visitors. However, the supply of skilled tourism workers is not anticipated to keep pace.[61] For example, workers are increasingly required to have competent IT skills, particularly in the hospitality and retail industries, as employers increase their focus on the 'client experience' and their interaction with technology (e.g. through online sales)[62].

Only approximately one fifth of professional services employers predicted strong growth over the next five years, however most were concerned they won't have the skills they need for the next five years. 72 percent of employers are concerned about a lack of innovation skills to improve products and services over the next five years (compared to 58 percent across all industries), and 80 percent are concerned about staff skills in IT/computer skills (compared to all 64 percent of all industries).

[60] Mornington Peninsula. Regional Tourism Summary - Year Ending September 2018. Accessed via: https://www.business.vic.gov.au/__data/assets/pdf_file/0011/1758926/Mornington-Peninsula-Regional-Summary_year-ending-September-2018.PDF
[61] Austrade. Tourism 2020. Tourism Employment Plan – Developing a sustainable tourism and hospitality industry workforce for the Mornington Peninsula and Phillip Island. Accessed via: https://www.voced.edu.au/content/ngv%3A77674
[62] Victoria State Government. Priority Industries and Sectors - Retail, transport distribution and logistics and postal. Accessed via: https://djpr.vic.gov.au/priority-industries-sectors/retail,-transport-distribution-and-logistics-and-postal

Reliance on in-house training programs is not suitable for future requirements

Employers in these sectors reported to have a varied understanding of the training system and available government subsidies. Less than half of professional services (44 percent of respondents) and retail employers (45 percent of respondents) identified training as a priority for their business. Employers in these industries are less likely to seek external training due to the time investment of staff that is required to participate, and a high cost of sourcing replacement workers, for a perceived limited return. Professional services employers (71 percent of respondents) and retail employers (68 percent of respondents) reported that all training is non-accredited and completed in-house. However, most reported that they were happy with their current training approach. Employers are focused on the relevance and application of the training available, rather than the accreditation associated with the training, citing on-the-job experience as fundamental to role success.

In the professional services sector, 29 percent of employers use TAFE as an accredited training provider, compared to 43 percent across all industries who use TAFE. Only 9 percent of professional services employers use apprenticeships as accredited training sources, compared to 37 percent for retail and 32 percent across all industries. Table 14 below shows the top 10 most popular VET qualifications (by enrolment) for the retail, business, hospitality and tourism industry in 2017.

Table 14: Top qualifications in 2017

Course Code	Top qualifications	2017 enrolments	Trend since 2015
SIT30816	Certificate III in Commercial Cookery	879	Decrease
ICT30515	Certificate III in Telecommunications Technology	872	No change
BSB42615	Certificate IV in New Small Business	838	Increase
CPP20212	Certificate II in Security Operations	776	No change
BSB42015	Certificate IV in Leadership and Management	709	Decrease
SHB30416	Certificate III in Hairdressing	708	No change
FNS40217	Certificate IV in Accounting and Bookkeeping	624	No change
22302VIC	Certificate I in Work Education	517	Decrease
SIR30216	Certificate III in Retail	516	No change
CPP30411	Certificate III in Security Operations	463	Increase

Businesses reported having a lack of infrastructure to support the growth of technology within the industry. This includes the recruitment and retainment of experienced staff with a design mindset, systems thinking and problem-solving skills.

Challenges and opportunities for the VET system

Table 15: Identified challenges and opportunities below provides an outline of the identified challenges and opportunities for the sector, which will be referred to relevant stakeholders for consideration and future action.

Table 15: Identified challenges and opportunities

Current challenges to vocational training and skills	Opportunities for the VET system
Training options provided through the VET system lack practical application and do not develop the attributes or 'work ready skills' which are most important to employers (e.g. the hospitality industry reported gaps in communication, customer service and social intelligence for front-of-house staff).	**Increase traineeship and apprenticeship enrolments** and reduce institutional delivery of qualifications to support acquisition of practical experience by entry level workers.
Employers identified that training courses are not always targeted at the correct level of expertise (e.g. experienced vs. new worker).	**Investigate options to provide training programs/skill sets that are flexible and can be tailored to specific worker cohorts** (e.g. employers could select applicable Units of Competency from a course, which would be relevant to the individual role).
Employers reported a lack of training options to support the increasing use of technology to enhance the client experience. Workers require a 'design mindset' and skills such as problem solving and systems thinking as well as basic IT literacy.	**Review current training products to ensure** competencies in new and emerging technologies are included. **Investigate opportunities for new or existing business-training provider partnerships to engage with Skills First** funding programs (e.g. WTIF) to develop innovative training solutions to respond changing skill requirements.
Smaller employers reported difficulty in recruiting staff with the business planning skills required to enable growth (e.g. finance, HR, legal and marketing skills). Employers who struggle to fill these roles often outsource the work at expensive rates.	**Review current training courses** and work with industry to develop additional units to address gaps where required. **Facilitate introductions of small business owners** to trainee and apprenticeship programs run by local training providers.
Employers are concerned about the ability of training providers to support the anticipated increase in demand for workers with innovation skills to improve product and service design.	**Employers increase engagement with organisations in their local communities,** such as schools, RTOs and universities to increase the awareness of local career opportunities and ensure skill needs are clearly understood.
In the more rural areas of the South East Melbourne Region, employers are highly dependent on a seasonal or transient workforce. This incurs substantial recruitment costs and fails to build the skill base of potential employees locally.	**Investigate opportunities for workers to work on a rotational basis** across multiple employers with similar skill requirements (including facilitating introductions of small business owners).

10. Community Services and Health

Major development underway to meet demands of a growing and ageing population

The Community Services and Health (CS&H) industry is the third largest industry by employment size in the South East Melbourne Region, consisting of over 14.5 percent of the workers within the region.

Demand for community services and healthcare in the South East Melbourne Region is driven by a growing and ageing population. As noted previously in Figure 3, those aged 65 years or over constituted the fastest growing element of the population in the region in the period between 2011 and 2016. At 30 June 2017, it was reported that more than 150,000 residents in the South East Melbourne Region were over the age of 65 years, making up 14 percent of the region's population.[63] Research notes generally that older people are higher users of the health system, and make more frequent and complex visits compared to relatively younger populations.[64] The ageing population will also put strain on the aged care and disability sectors. As such, the growing older population in the South East Melbourne Region is expected to continue to increase demand for health and social services in coming years.

Current and predicted growth in demand for services is supported by recent and planned future investment from the Victorian Government in the expansion of local health services in the South East Melbourne Region. The City of Frankston is designated as a Health and Education precinct within 'Plan Melbourne', a government strategy that is expected to guide the city's growth to 2050, becoming a regional health hub servicing the South East Melbourne Region. Private and public hospitals in Frankston City are currently under construction, or have significant upgrades that are imminent, in response to strong population growth (predicted at 40,000 people over the next 10 years). For example, a $562 million redevelopment of Frankston Hospital is planned to meet increased demand, as admission rates increased by 15 percent between 2014 and 2017.[65] The development is planned to commence in 2020 and be completed in 2024. The increase in healthcare services means the demand for community services in the area will also be high, including disability, housing, aged care, education and employment.

Several other major hospital developments have been completed recently or are planned for the region. Monash will be the location for The Victorian Heart Hospital – Australia's first stand-alone heart hospital, located at Monash University's Clayton campus. The $543 million development is expected to open in 2022 and is a collaboration between the Victorian Government and Monash Health, Monash Heart and Monash University. Following construction, the hospital will provide employment for approximately 850 researchers and clinicians across clinical care and research fields.

Casey Hospital is also undergoing a $135 million expansion to cater for increased demand from a growing population. The City of Casey is one of the fastest growing areas in Australia, and the third fastest growing in Victoria. Its population has an average growth of 7,300 per year and is expected to hit 495,000 by 2036.[66] In 2017, Homesglen private hospital in Kingston underwent a $100 million development to enable the delivery of specialist medical services and provide a premier training location for nursing and allied health students. The development created more than 200 new positions, with individuals recruited from Kingston and surrounding areas.[67]

A new approach is required to facilitate growth and diversification of skills in the workforce

The CS&H sector is defined by the health care and social assistance industry, with around 3,500 businesses and approximately 71,763 full-time and part-time jobs in the South East Melbourne Region. This accounts for 17 percent of all CS&H jobs in Melbourne.

Table 16: Employment in the Community Services and Health sector – South East Melbourne Region 2018

Community Services and Health	South East Melbourne Region
Proportion of total employment in the South East Melbourne Region	14.5%
Number of individuals employed	71,763
Number of businesses	3,527

Source: ABS cat. No. 8165, June 2017 release and ABS cat. No. 6291.0.55.003, August 2018 release.
Note: South East Melbourne Region is defined as the Melbourne - South East (SA4) geographical region and the Mornington Peninsula (SA4) geographical region to align with the Commonwealth Australian Bureau of Statistics employment by industry data sets.

Survey responses and subsequent consultations with the CS&H employers within the South East Melbourne Region identified several challenges and opportunities in sourcing appropriately qualified and skilled staff.

[63] ABS cat. 3235 Regional Population by Age and Sex, by Local Government Area – Persons 30 June 2017
[64] Australian Institute of Health and Welfare - Australia's health 2014, Chapter 6.9 Ageing and the health system: challenges, opportunities and adaptions, 2014. Accessed via: https://www.aihw.gov.au/getmedia/19dbc591-b1ef-4485-80ce-029ff66d6930/6_9-health-ageing.pdf.aspx
[65] Herald Sun, 2018. South East - Frankston Hospital expansion essential to cater for population growth say officials. Accessed via: https://www.heraldsun.com.au/leader/south-east/frankston-hospital-expansion-essential-to-cater-for-population-growth-say-officials/news-story/ab3fd-3c0146a002550c471c2292e48a7
[66] Victorian Health and Human Services Building Authority. Casey Hospital - Expansion Project Update December 2017. Accessed via: https://vhhsba.vic.gov.au/sites/default/files/Casey%20Hospital%20Expansion%20Project%20Update%20-%20December%202017.pdf
[67] Herald Sun, 2017. Federal Health Minister opens new private training hospital in Moorabbin. Accessed via: https://www.heraldsun.com.au/leader/news/fed-eral-health-minister-opens-new-private-training-hospital-in-moorabbin-with/news-story/7c30e85ba260f3e111dc469a13b93842

CS&H employers reported a high level of confidence about the skills of their current workforce, including industry specific skills, verbal communication skills, customer services skills, and literacy and numeracy skills. However, more than half of employers identified that keeping staff skills up to date was a challenge (compared to 41 percent of all industries surveyed), and 65 percent reported difficulties in sourcing new candidates with the right qualifications for roles, especially for specialist roles.

Forty six percent of employers are concerned that they will not have the skills they need in the next five years, which is marginally higher than the 43 percent across all industries. Common skills gaps for new applicants include technical skills (78 percent of respondents), management and leadership skills (67 percent of respondents), technology related skills(87 percent of respondents) and verbal communication skills (73 percent of respondents).

Of the employers surveyed, almost a third stated that losing staff to competitors was a workforce challenge, compared to 20 percent across all industries. Two thirds of employers reported having to compromise and recruit staff with different skills or experience to that desired in order to fill a position. In addition, 17 percent of the community services employers are likely to employ overseas workers on 457 visas, compared to 11 percent for other industries surveyed, which indicates that CS&H employers are more dependent on migrant workers to fill skills gaps.

The skill needs of the CS&H industry have changed in response to new industry priorities. For example, employers are concerned about the ability of staff in interdisciplinary care, technology, and IT and specialist technical skills. Employers reported that the main reasons for introducing new technology were to improve efficiency and the ability to train staff with new skills (69 percent of respondents). Looking ahead, employers are concerned about the ability of training providers and government to support the development of these emerging skills. More than half of employers anticipated that a skills shortage would have a significant impact on the industry compared to 31 percent across all industries, highlighting the significant demand on this sector. One in twenty employers surveyed reported that the absence of an adequate workforce would have a potential financial impact of $5 million or more. If not addressed, these skills gaps are also likely to have an impact on the quality of products and services provided.

An ageing workforce represents a challenge for the CS&H industry and it is expected that the number of older (55-65 years) Australians participating in the work force will continue to rise. Currently, CS&H employers are likely to target mature workers aged between 45 and 64 for recruitment where possible (70 percent of respondents, compared to 57 percent for other industries).

CS&H employers focus on university qualifications and in-house training

The CS&H industry is heavily reliant on highly skilled university graduates for new staff. Fifty percent of employers reported that staff are sourced from universities, compared to 27 percent for all other industries. In addition, more than half of CS&H employers reported that keeping staff skills up to date was a challenge experienced by the sector (compared to 41 percent across all industries).

More than three quarters of CS&H employers provide in-house, non-accredited training for current staff. Forty one percent rely on private RTOs and higher education providers (universities) to provide accreditation of skills. Employers reported that in-house training is required due to the specialised nature of the sector. Furthermore, the cost associated with accessing external training is often a barrier for businesses (63 percent of respondents, compared to 52 percent across all industries). However, some employers recognised that their in-house training is becoming dated and that they would welcome the opportunity to explore financially viable external-provision options. Figure 2: Population of South East Melbourne Region 2011-21 below shows the top 10 most popular VET qualifications (by enrolment) for the CS&H industry in 2017.

Table 17: Top qualifications in 2017

Course Code	Top qualifications	2017 enrolments	Trend since 2015
CHC50113	Diploma of Early Childhood Education and Care	4347	Decrease
CHC30113	Certificate III in Early Childhood Education and Care	1855	Decrease
HLT54115	Diploma of Nursing	1522	Increase
CHC33015	Certificate III in Individual Support	1407	Decrease
CHC43015	Certificate IV in Ageing Support	1130	Increase
CHC43115	Certificate IV in Disability	922	Decrease
CHC52015	Diploma of Community Services	806	No change
HLT33115	Certificate III in Health Services Assistance	739	No change
CHC30213	Certificate III in Education Support	362	No change
CHC53315	Diploma of Mental Health	342	Increase
CHC43215	Certificate IV in Alcohol and Other Drugs	342	Increase

Challenges and opportunities for VET

Figure 1: Share of employment by industry sector (South East and Mornington Peninsula Region), 2017/18 below provides an outline of the identified challenges and opportunities for the sector, which will be referred to relevant stakeholders for consideration and future action.

Table 18: Identified challenges and opportunities

Current challenges to vocational training and skills	Opportunities for the VET system
CS&H employers have historically relied on in-house-training for skilling needs. However, some businesses noted that training is becoming dated and would welcome the opportunity to explore external options for provision, provided they are up to date with their latest requirements and financially viable.	**Identify skills requirements that are common across most employers** and look for opportunities to deliver accredited training that would meet these specific needs. **Encourage the flexible delivery of CS&H qualifications by local training providers**, to align with workforce needs (e.g. out of hours training, block training, training delivery in the workplace).
Employers reported significant potential for labour shortages due to high demand across community services including disability, housing, health care, education and employment.	**Engage with local schools, training providers and universities** to increase the awareness of local career opportunities.
Employers reported often being forced to compromise on the level of expertise of staff, or recruit from overseas, to fill vacant roles (particularly in specialist positions). This is driven by an ever-expanding demand for health and community services in the region.	**Review information available on the Victorian Skills Gateway** to ensure students are informed of the career opportunities in high demand areas prior to enrolment in a qualification. **Increase number of School-Based Apprenticeships and Traineeships** in CS&H to expose more young people to the sector. **Explore opportunities for bridging courses** to assist individuals in occupations with shared skills to transition into or between community service roles.
Employers are concerned about the ability of staff to adapt to the expanding range of skills required for their role due to changes in the industry (e.g. use of automated systems, new health technologies and treatment methods, greater emphasis on inter-disciplinary care and working across different areas of the business).	**Review and adapt training modules and competencies** for key roles to include emerging skills, such as technology and IT related skills. **Increase traineeship enrolments** in relevant qualifications to expose students to a range of business areas during training.

11. The training system must support industry needs

The South East Melbourne Region is growing rapidly. A supply of highly skilled local workers is critical to underpin this growth, and the VET system has a key role to play.

However, the VET system and training delivery is not always aligned with the current and future skills needs of local employers. An employer-informed response is required in order to improve this alignment, and help address current and emerging skills shortages. This is important in ensuring that workers in the South East Melbourne Region are skilled, productive and employable.

Industry leaders across the South East Melbourne Region have identified a series of common opportunities, as well as a range of opportunities that are unique to each industry group. The VET system must support industry in capturing these opportunities to ensure the nuanced training and skilling needs of industry are met.

This report outlines an understanding of industry, their skills needs and challenges for the South East Melbourne Region, and where the focus is required to ensure the economic potential of the region is realised. Action by key stakeholders to address the findings raised in this Snapshot represents the next step in capitalising on the opportunities, to align the provision of VET in the region with the current and future demand of industry.

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