

News Release

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Skills shortages set to drive up average earnings

Average annual earnings are set to rise by \$8,200 within the next three years as the Australian economy continues to recover and acute skills shortages start to appear, according to the quarterly Clarius Skills Index released today.

The June quarter Clarius Skills Index - prepared by KPMG Econtech and Australia's only measure of underlying demand and supply of skilled labour - shows that already there is an emerging skills shortage across several occupations and the availability of skilled workers may become an issue for Australia in the near future.

The release of the report comes amid talk about interest rates and the Federal election debate about population policy and puts Australia's skills shortage on the agenda.

The skilled labour shortage is expected to drive a 5.4 per cent annual increase in earnings over the next three years, and see unemployment rates drop below five per cent by early 2011.

Clarius Group Chief Operating Officer, Kym Quick, said that the findings of the Skills Index and the implications it will have on wages and unemployment presented significant challenges ahead for not only employers, but policy makers.

"The developments have some implications on interest rates, the population growth debate and decisions about temporary skilled worker visas," Ms Quick said.

"Currently there is a shortage in eight of the 20 skilled Professional, Associate Professional and Trades occupations measured in the Index and a further two are on the cusp of a shortfall.

"The availability of skilled workers is particularly an issue in the Construction, Engineering and Building Professions and Trade occupations – for instance there is currently a shortage of 6,300 Construction tradespersons.

Ms Quick said while most other occupations are in the **balanced** range, several are approaching the **high** range of acute skills shortages.

"The clear message for the employer from the Index is that they need to be prepared for a war for talent by ensuring they have the right skills now for their future demand and ensuring they have retention strategies in place to keep them there," she said.

"We also need policy makers to develop and implement initiatives that will address the potential skills shortages immediately and not wait for it to happen before taking action."

In the June quarter, the eight categories where there were shortages were Building and Engineering Professionals (101.1), Computing Professionals (100.2), Building and Engineering Associate Professionals (100.8), Chefs (105.3), Metal Tradespersons (104.5), Automotive Tradespersons (101.5), Construction Tradespersons (101.7) and Wood Tradespersons (101.8).

A score of 100 indicates equal tension between labour supply and demand. Anything greater than 100 indicates a skills shortage.

The overall Index for 20 categories in the 2010 June quarter was **99.6**, compared with 98.5 at the same time last year.

The largest increase in skills shortages in the Index at the occupational level was recorded for Construction Tradespersons, which rose from a perfectly **balanced 100.0** in the March quarter to **101.7** in the June quarter. This 1.7 per cent increase in the index translates to a shortage of approximately 6,300 Construction Tradespersons in the June quarter.

The index for Building and Engineering Associate Professionals also rose over the last quarter, reflecting a recovery in the residential building sector, as well as the impact of the Building Education Revolution (BER) stimulus continuing to boost the non-residential building sector.

Overall, there was only an oversupply of around 15,000 skilled workers in the Australian labour market of more than 11 million. At occupation group level, the index for Professionals fell 0.5 per cent, while the indices for Associate Professionals and Tradespersons rose by 0.2 and 0.3 per cent, respectively.

Background and how the Clarius Skills Index works:

The Clarius Skills Index analyses labour demand and supply, using labour force data supplied by the Australian Bureau of Statistics and the Department of Employment and Workplace Relations. The results are reflected in a skills barometer which applies a ranking to specific occupation categories. The index is updated and released quarterly.

The data is compiled and analysed by KPMG-Econtech on behalf of the Clarius Group.

A score of 100 indicates equal tension between labour supply and demand. Anything greater than 105 on the skills shortage side of the Index is regarded as extreme. A score of 95 to 98 is moderate. Any disparities when comparing the published quarterly values of the Clarius Skills Index with the labour demand and supply people estimates are due to two factors.

First, the estimates of labour supply and demand are rounded to the nearest thousand in the body of the report, whereas the raw index is calculated using exact, unrounded numbers. Second, the skills index is seasonally adjusted to take into account the regular fluctuations through the year in the pattern of demand and supply for labour.

The Clarius Skills Index is produced quarterly so that government and business can keep a close eye on any skills trends that might be starting to emerge.

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About Clarius Group

Clarius Group (ASX: CND) is a specialist in the employment services market providing recruitment, contractor and staffing services in the Accounting, Administration, Banking, Finance, Information Management, Information Technology, Library, Marketing, Records, Sales and Senior Management markets to governments and corporations across the Asia Pacific region.

Established over twenty five years ago and listed on the Australian Securities Exchange in 1997, Clarius Group has a reputation for high-quality delivery and remains one of the largest, longest standing and best performing recruitment suppliers in the region.

Clarius Group operates through a number of quality specialist brands including:

- Alliance Recruitment Corporate Services and Financial Services
- Candle Information Technology
- Lloyd Morgan Accounting, Finance and Executive
- SouthTech Architecture, Construction, Consulting Engineers and Manufacturing
- The One Umbrella Library and Records Management
- Jav IT Managed IT Services and Professional IT

Clarius Group employs over 300 staff through a network of offices located in Sydney, Melbourne, Brisbane, Perth, Adelaide and Canberra in Australia; Auckland and Wellington in New Zealand; Hong Kong, Beijing and Shanghai in China; Kuala Lumpur in Malaysia; and Singapore.

About KPMG Econtech

KPMG Econtech is one of Australia's leading independent economic consultancies specialising in economic modeling. Its work covers the key areas of industry economics, social policy, tax policy and economic forecasting in Australia and Asia.