

2012 ITAB Market Effectiveness Report

Higher Education and Skills Group

Department of Education and Early Childhood
Development

30 March 2012

17 Textiles, Clothing, Footwear and Leather

Coverage: Clothing, Footwear, Leather, Shared – TCF&L, Textiles.

Specific industry and business cycle drivers: Lowered tariff protection, import competition, \$A, new trade agreements, interest rates, employment growth, wage growth, tax cuts.

Recent relative sectoral performance rating: Average

Expected relative sectoral performance rating: Low

Summary of ITAB advice and consultation

Market effectiveness

Various examples of training market effectiveness were reported by the Council of Textile & Fashion Industries of Australia (TFIA) and the Textile Clothing & Footwear Union of Australia (TCFUA).

Examples of training market success include the **Stimulate Training Demand Project** which was funded by the Higher Education and Skills Group (formally Skills Victoria) over 2010 and 2011. This program enrolled approximately 40 participants in Certificate II and Certificate III qualifications in Textile Production and Clothing Production. The program targeted existing non-qualified workers who were able to gain a qualification with a combination of RPL and gap training. The program was also successful in marketing traineeships to a number of businesses which resulted in 22 commencements.

A number of other programs funded by the Higher Education and Skills Group were cited as examples of training market success. These were principally run through the **International Fibre Centre** in collaboration with a training provider. The International Fibre Centre is based in Geelong and is the only organisation in Australia providing funding for skills development specifically for the textiles and fibre industry. It funds training opportunities related to three programs – innovative industry program, sustainable industry program and the value chain program. The programs focused on a wide range of skills, including those related to sustainability, lean manufacturing and competitive practices, along with industry-specific equipment and process training.

A third example of training market success offered by TFIA and TCFUA is the implementation of a **workplace language and literacy program**. This program was conducted by TCFUA to increase the foundation skills of the workforce. TFIA and TCFUA note feedback from employers and participants acknowledging the benefits of these classes in improving communication and team skills in the work environment.

Market failures identified by TFIA and TCFUA included the **lack of availability of the Certificate III in Engineering – TCF Mechanic**. At present, although one training provider lists this qualification on its scope, there are no enrolments in Victoria. There is strong industry demand for the skills provided by this qualification and a related occupation, textile, clothing and footwear (TCF) mechanic, has been listed as in critical shortage for a number of years.

According to TFIA and TCFUA, there has been a clear shift by training providers to offer a broader engineering qualification rather than this specialist course. This trend does not align with increasing demand from industry for the specific skill sets associated with operating sophisticated TCF manufacturing machinery. Apprentices undertaking the broader engineering qualification have also expressed concern regarding the mismatch between the skills provided by the course and those needed in the workplace.

The Certificate III in Engineering – TCF Mechanic is critical to the TCF industry, and not having individuals with the skills to run and maintain machinery can have the potential to close a business. However, TFIA and TCFUA recognise that encouraging people to enrol is difficult, in part because of a lack of availability of the qualification. This, in turn, reduces the incentive for training providers to offer the more specific TCF qualification because viable apprentice enrolments cannot be established.

The second market failure identified by TFIA and TCFUA relates to the **role of RPL in the training market**. The TCF industry is characterised by a skilled workforce that lacks formal qualifications. As such, from an employee perspective there is clearly a role for RPL to formally build and recognise skills. However, some instances of poorly monitored RPL processes and over credentialing has undermined industry confidence in RPL.

As with some other industries, there is also a view within the TCF industry that the **equipment and facilities used by training providers are not adequately keeping pace with changes in technology**. As a result, a number of companies send their workers overseas to learn how to operate and maintain machinery and equipment, while training within Australia is often undertaken by the equipment manufacturer. There are, however, some exceptions, most notably the TCF training centre at Kangan Institute known as The Hub.

Change drivers and industry developments

Advice from TFIA and TCFUA is that the following major change drivers are expected to affect the industry in 2012:

- Government policies and compliance (demand side)
- Globalisation and competition (supply side and demand side)
- Sustainable work practices (supply side)
- Technological changes (supply side)
- Ageing workforce (supply side)
- Skill shortages and gaps (supply side)

These same change drivers were also relevant in 2011, suggesting a consistent set of challenges and opportunities are facing the industry.

The industry continues to benefit from a broad range of government contracts. Increasingly, those contracts require **compliance** with regulations, including around labour

market conditions and employment standards. Moreover, there is also a growing recognition of the need to incorporate ethical and sustainable production processes, and the number of business seeking accreditation with Ethical Clothing Australia is increasing. Ethical Clothing Australia requires firms to trace through their supply chain to confirm that all levels of workers (including subcontractors and outworkers) are receiving adequate pay and all required entitlements.

The training needs resulting from this change driver relate to employees' understanding of regulations and ethical business practices, and units of competency covering these topics are already present in existing qualifications. However a significant proportion of workers in the TCF manufacturing workforce do not possess formal qualifications and these skills may be best provided through targeted short course training programs.

Globalisation and international competition are ongoing challenges for the industry. The 2010 reduction in import tariffs on TCF products (from 17.5% to 10% on clothing and from 10% to 5% on textiles and footwear), combined with the elevated \$A, is continuing to squeeze profit margins in the industry and erode competitiveness.

These economic conditions have implications for skills and training. Low profitability in the industry tends to discourage employers from actively participating in the training market,, including taking on an apprentice or providing formal training for employees.

Conversely, however, it also increases the need for employees to possess a broad range of skills. For example, as the industry moves to become more efficient, knowledge of lead manufacturing and other business production techniques will be increasingly valuable. Units of competency covering these skills are already provided as part of the Certificate IV, Diploma and Advanced Diploma of Competitive Manufacturing and the Certificate III in Clothing Production.

The rise of online retailing is also relevant for the TCF manufacturing industry. Online retailing requires a different manufacturing model, with an emphasis on speed to market and a concentration on producing individual items rather than lines by colour and size. These changes all require skills in business planning and the flexibility to meet changing customer needs.

The importance of **sustainability and green production techniques** is growing within the industry. The workforce requires the skills to implement and encourage sustainable practices and the understanding of how a focus on sustainability can influence a company's bottom line. In some sectors, sustainability is a requirement to meet customer requirements. For example, carpet manufacturers' products which are certified under the Environment Certification Scheme can contribute to a building's green star rating.

TFIA and TCFUA report a reasonable take up of qualifications such as the Diploma of Sustainability, which can be contextualised to meet the needs of specific enterprises within the industry.

Technological changes in manufacturing and production techniques are tending to favour large businesses with the resources to invest in new equipment and machinery. Examples include the growing use of computer aided design, digital textile printers and seamless knitwear machines. While the use of this technology can reduce demand for labour within the industry, the workforce which is utilised requires a strong understanding of the technology and training in the use of a wide range of equipment.

As with a number of other industries, TCF is challenged by an **ageing workforce**. TFIA and TCFUA report anecdotal evidence that over 72% of the industry workforce is aged over 35, with the loss to industry as these workers retire expected to be particularly crucial in the area of tailoring and other specialised sewing techniques used in niche clothing production. The use of these experienced workers as mentors for younger staff is important for the retainment of skills in the industry. TFIA and TCFUA suggest that apprenticeships in clothing production could be offered to individuals currently working in the industry informally in an effort to rebuild the skill base.

Skill shortages and gaps in the industry remain a challenge. These shortages are most apparent at the management level, with a large number of firms operating without a formal business plan and management staff lacking an understanding about business basics. These skill gaps extend to areas of regulatory compliance, triple-bottom-line accounting and other management responsibilities, and could be reduced through greater uptake of qualifications such as the Diploma and Advanced Diploma of Management.

Industry outlook

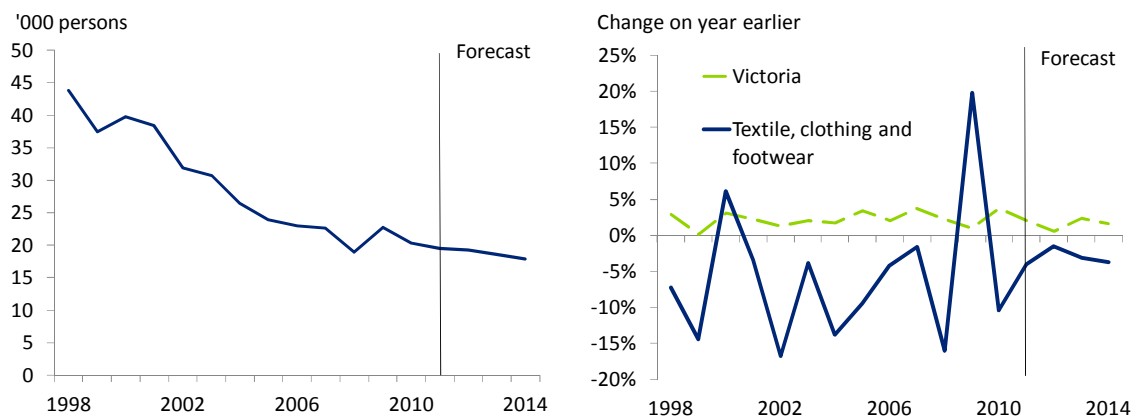
The manufacturing industry in Victoria has declined as a share of the economy over the past two decades. Although there has been varied growth within the sub-industries of manufacturing during that period, the textile, clothing and footwear industry has been particularly vulnerable, and the level of employment has been falling back as a result.

The decline of the textiles, clothing and footwear industry over the longer term reflects structural factors. One of the most important drivers has been the intense competition that local producers face from low-cost imported products from overseas, particularly in Asia. While the broader manufacturing industry also faces challenges from global competition, the challenges are more acute for textiles, clothing and footwear due to its labour intensive nature, with low-wage countries such as China having a significant competitive advantage. Moreover, as protectionist measures such as tariffs have declined, domestic producers have become increasingly exposed to competition from abroad.

Consumer trends are also posing a challenge for the industry, with Australian consumers choosing to spend more of their growing incomes on goods and services that are not clothing and footwear. Despite overall spending on clothing and footwear growing over time, clothing and footwear has been making up a declining share of total consumer spending.

Recently the textiles, clothing and footwear industry has also been battling cyclical factors, particularly higher interest rates and the historically high level of the \$A. Moreover, at the retail end, Australian clothing retailers and department stores have experienced weak sales over the past year in an environment of consumer caution. The strength of Australia's mining sector suggests that the challenges posed by the high \$A may be ongoing for some time.

The high \$A has also increased the visibility of online retail sales. While the volume of clothing and footwear purchased online by Australian consumers from overseas websites is likely to be relatively low at present, the share of online spending in overall retail sales appears to be growing rapidly, and this may represent another adverse trend for domestic textile, clothing, and footwear producers over the longer term.

Chart 17.1: Employment outlook – Victorian textile, clothing and footwear industry

Source: Deloitte Access Economics, Australian Bureau of Statistics

In light of the structural challenges facing Victoria's manufacturing industry, the Victorian Government asked the Victorian Competition and Efficiency Commission (VCEC) to complete an inquiry into Victoria's manufacturing industry. The VCEC's draft report recommended against the introduction of new protectionist measures for the manufacturing industry, and recommended that existing measures that continue to exist such as local content provisions in procurement policies be removed. While the Victorian Government is yet to respond to the VCEC's recommendations, the current low levels of protection and assistance for the textile, clothing, and footwear industry are likely to remain in place.

The Federal Government's carbon tax will be introduced in 2012 and may pose challenges for domestic textile, clothing, and footwear producers. Textile, clothing and footwear production is not an emissions intensive activity and therefore will not benefit from large levels of assistance. Domestic textile, clothing, and footwear producers are expected to see a rise in costs such as electricity, however, which will further erode competitiveness.

There will be better news for the sector from improved income growth in Australia over time. While retail is currently in a slump, Deloitte Access Economics expects a recovery to take hold over time as income growth translates into a higher rate of retail spending, which should lift sales for all suppliers.

Over the longer term the enormity of the challenges facing the industry means that output and employment are likely to continue trending down over time.

Occupations in demand and critical skill shortages

Response to 2011 critical skill shortages

TFIA and TCFUA report that a number of responses to critical skill shortages identified for 2011 have taken place. Four occupations were listed as in critical shortage in 2011: textile, clothing and footwear mechanic; apparel patternmaker / grader; dressmaker / tailor; and general footwear tradesperson.

The view of TFIA and TCFUA is that the shortage of **textile, clothing and footwear mechanics** is compounded by the lack of availability of the Certificate III in Engineering –

TCF Mechanic. As such, much of the work done through 2011 to try to alleviate this shortage has been directed at promoting this qualification within industry and to training organisations. As noted above in the discussion of market failures, at present only one training provider lists this course on their scope of qualifications.

TFIA and TCFUA have encouraged training providers, particularly TAFEs, to offer this course rather than a more general engineering apprenticeship, and have encouraged industry to write to training providers and the Victorian Government. TFIA and TCFUA believe that take up of this course would go some way to addressing the current skill shortage.

According to TFIA and TCFUA, it takes approximately five years experience in order to acquire the skills to be a quality **apparel patternmaker**. This long lead time is exacerbating the skill shortage in this occupation, and industry continue to report that they are eager to take on adequately trained patternmakers but find it difficult to source skilled labour. The occupation is fundamental in the industry because of the technical knowledge of garment construction that is provided by patternmakers.

TFIA and TCFUA are working with training providers to provide specialist programs in patternmaking for existing workers. These programs are being pitched at the diploma level, and are designed to enhance the skills of qualified but inexperienced workers already operating within the industry.

The current shortage of **dressmakers and tailors** is most prevalent in regional areas. There is a strong industry presence in regional areas of Victoria, and experienced workers have been difficult to source. TFIA and TCFUA noted that in an effort to meet labour requirements, some large companies are choosing to take on people who have gained experience as hobby sewers and are providing non-accredited training to them on site.

In an effort to lift the volume of skilled workers and ensure consistent training and skills across the industry, TFIA and TCFUA have been promoting the Certificate III in Clothing Production as a qualification that would help to alleviate the skill shortage. However budget constraints and the challenges of production targets and a weak retail market have discouraged industry from taking on apprentices.

The need for **general footwear tradespersons** is growing, and TFIA and TCFUA expect demand to lift further over time. There has been some uptake of training related to this occupation, especially in relation to medical grade footwear. Some of that increase may be attributed to the response of the industry training body, which consulted directly with footwear specialists in an effort to increase the number of training instructors and build relationships between industry and training providers.

Occupations in demand and critical skill shortages in 2012

The tables below summarises the occupations in demand and experiencing critical skill shortages in 2012. These occupation lists have been advised by TFIA and TCFUA, and have been determined following formal engagement with industry.

Consistent with the common themes and issues expected to affect the industry in 2012, the occupations listed below are the same as those which were nominated for 2011.

Occupations in demand and experiencing critical skill shortages

Occupations in demand	
Industry title	ANZSCO classification
Skilled apparel machinists	Sewing machinist (711611)
Leather goods makers	Leather goods maker (393112)
Textile clothing and footwear mechanic	Textile, clothing and footwear mechanic (323215)
Apparel cutters	Apparel cutter (393211)
Apparel patternmakers / Graders	Clothing patternmaker (393212)
Dressmakers / Tailors	Dressmaker or tailor (393213)
Canvas goods maker	Canvas goods fabricator (393111)
General footwear tradesperson	Footwear factory worker (839915)
Occupations experiencing a critical skills shortage	
Industry title	ANZSCO classification
Textile clothing and footwear mechanic	Textile, clothing and footwear mechanic (323215)
Apparel patternmakers / Graders	Clothing patternmaker (393212)
Dressmakers / Tailors	Dressmaker or tailor (393213)
General footwear tradesperson	Shoemaker (393114)

The table below outlines qualifications which are required for occupations experiencing a critical skills shortage.

Qualifications required for occupations experiencing critical skill shortages

Occupation (Industry title)	Qualification
Textile Clothing and Footwear Mechanic	Certificate III in Engineering – TCF Mechanic *
Apparel Patternmakers / Graders	Diploma of Applied Fashion Design and Technology **
Dressmakers / Tailors	Certificate IV in Clothing Production
General Footwear tradesperson	Certificate III in Footwear Production *

* Training can be undertaken through 3 year apprenticeship.

** Training can be undertaken through 4 year apprenticeship. On the job training is very beneficial.

† Training can be undertaken through 4 year apprenticeship. On the job training with a tailor is preferat

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Contact us

Deloitte Access Economics
ACN: 49 633 116

Level 1
9 Sydney Avenue
Barton ACT 2600
PO Box 6334
Kingston ACT 2604 Australia

Tel: +61 2 6175 2000
Fax: +61 2 6175 2001

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