



Australian Government
Department of Employment

Labour market outcomes of people exiting Motor Vehicle and Motor Vehicle Part Manufacturing

Insights from ABS Longitudinal Census data, 2006 and 2011

February 2015

ISSN 2201-3660

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Purpose

The following analysis sheds some light on the job prospects of automotive workers, by presenting data from the ABS Australian Census Longitudinal Dataset. The analysis presents information about the labour market outcomes of people who were working in Motor Vehicle and Motor Vehicle Part Manufacturing in 2006, but who had exited the sector by 2011. These data provide an indication of automotive workers' chances of finding alternative employment in the medium to long term, and possible destination sectors and occupations, which may help inform their training and career choices.

In interpreting this analysis, it is important to keep in mind that over the period from 2006 to early 2009, when substantial job losses in the automotive sector occurred¹, overall labour market conditions were strong. By contrast, current labour market conditions are relatively soft, and are forecast to remain soft in 2015-16.² Accordingly, the job prospects for retrenched automotive workers in the coming years may be less favourable than they were between 2006 and 2011.

¹ Employment in the sector fell by 22,300 workers (or 31.1 per cent) between August 2006 and February 2009 according to *ABS, Labour Force, Australia, Detailed, Quarterly, cat. no. 6291.0.55.003, Department of Employment trend*.

² Australian Government, *Mid Year Economic and Fiscal Outlook 2014-15*. The unemployment rate is forecast to be 6 ½ per cent at the end of June 2015 and at the end of June 2016.

Key points

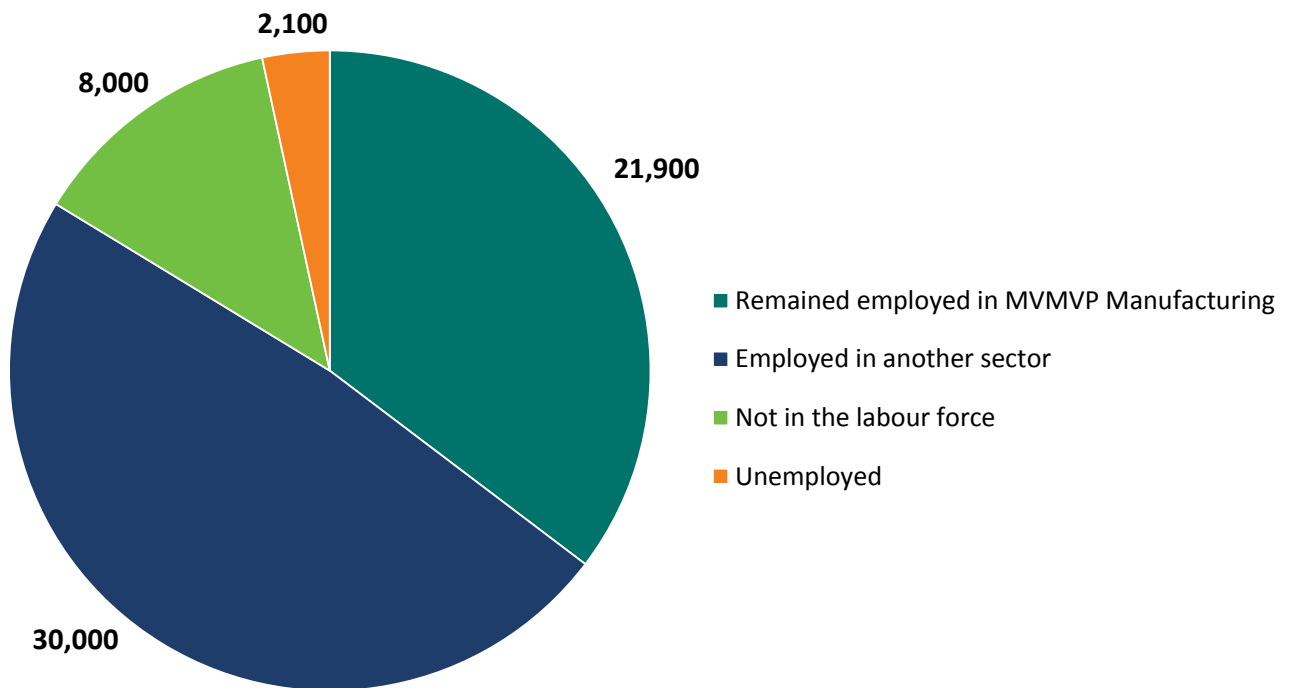
- Of the workers who exited the automotive manufacturing sector between 2006 and 2011, around three quarters had found employment in another sector in 2011, a further 20 per cent were not in the labour force, and 5 per cent were unemployed.
 - The experience of automotive workers currently facing redundancy may be worse than those who exited the sector over the five years to 2011, due to the likely simultaneous influx of retrenched workers into the labour market and the persistence of soft labour market conditions as the Mining boom unwinds.
 - That said, those facing redundancy do have the advantage of a long waiting period before their employment is terminated, generous redundancy packages, and targeted government assistance.
- Compared with other occupations in the sector, labour market outcomes were much more favourable for Fabrication Engineering Trades Workers, Construction, Distribution and Production Managers, and Engineering Professionals, which suggests these workers may have readily transferable skills.
- Labour market outcomes were weaker for females, overseas born, those with lower educational attainment, mature aged and younger workers.
- Those who re-entered employment after leaving the sector were more likely than the workforce overall to work fewer hours, earn less, and work at a lower skill level in 2011 compared with 2006.
- Former automotive workers found alternative employment across a range of sectors, including sectors related to automotive (Automotive Repair and Maintenance, Road Freight Transport, and Motor Vehicle and Motor Vehicle Parts Wholesaling) and unrelated sectors (Building Cleaning, Pest Control and Gardening Services, Public Order and Safety Services, Cafés, Restaurants and Takeaway Food Services), indicating that workers facing redundancy have a variety of employment options.
- Despite a 9.5 per cent decline in Manufacturing employment between 2006 and 2011, 29 per cent of former automotive workers found employment in another sector of Manufacturing, most likely due to the ready transferability of some workers' skills, and because the industry employs a large number of workers on a full-time basis, in "blue collar" occupations, and in large numbers in Adelaide and Melbourne.
- Among those who exited the sector, large increases in employment were recorded for a range of occupations, including Truck Drivers, Retail Managers, Sales Assistants and Salespersons, Cleaners and Laundry Workers and Construction and Mining Labourers.
- Approximately 90 per cent of automotive workers in Melbourne and Adelaide were still employed in their home city in 2011, suggesting that most workers generally seek employment locally.

Labour market outcomes

Between the 2006 and 2011 Censuses, employment in Motor Vehicle and Motor Vehicle Part (MVMVP) Manufacturing fell by 15,500 (or 25 per cent) to stand at 47,800. The sector's employment decline over this period was driven primarily by the closure of the Mitsubishi plant in 2008-2009, large-scale downsizing by Ford, the historically high Australian dollar and ongoing competitive pressures. Job losses over this period were heavily concentrated in Victoria (which recorded a decline of 8100 workers) and South Australia (3900).

Of the 62,000 people who were employed in MVMVP Manufacturing at the time of the 2006 Census, 40,100 (or 64.7 per cent) were no longer working in the sector in 2011. These workers may have left the sector for a range of reasons, including forced redundancy, voluntary movement into another sector, and retirement. Of the 40,100 workers who had exited the sector, 30,000 were employed in another sector, 8,000 were not in the labour force, and 2,100 were unemployed. Of the 8,000 who were not in the labour force in 2011, 59.0 per cent were aged 55 and over (in 2011), suggesting that many of these workers had retired.

Chart 1: Transitions of MVMVP Manufacturing workers between 2006 and 2011



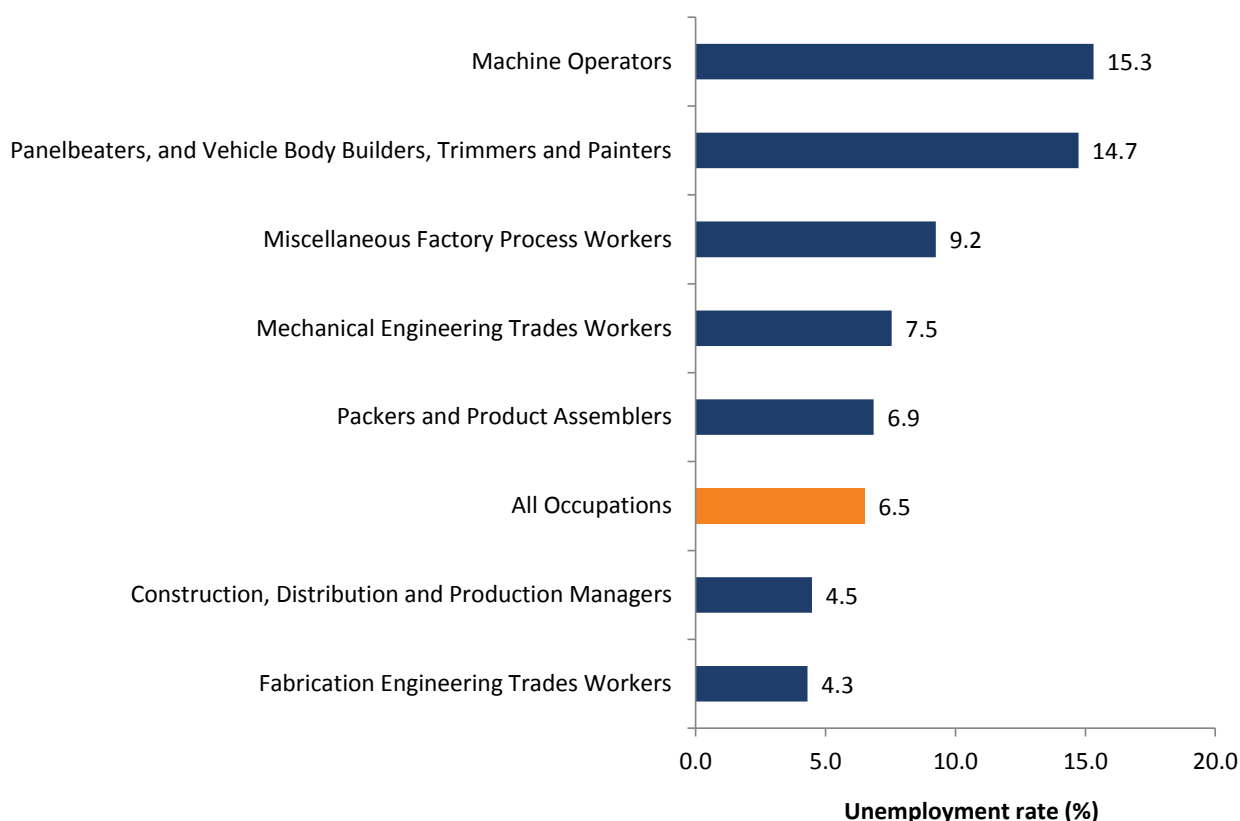
The unemployment rate among those who exited the MVMVP Manufacturing was 6.5 per cent, somewhat higher than the overall unemployment rate of 5.2 per cent at the time of the 2011 Census.

Occupation

Labour market outcomes varied considerably by occupation. For example, in 2011, the unemployment rate among those who were previously working in MVMVP Manufacturing was 15.3 per cent for Machine Operators³ and 14.7 per cent for Panelbeaters, Vehicle Body Builders, Trimmers and Painters⁴, well above the 6.5 per cent recorded across all people who exited MVMVP Manufacturing. The high unemployment rates for these occupations suggest that these workers' skills are specific to MVMVP Manufacturing, and may not be readily transferable to other sectors.

By contrast, those who were previously employed in MVMVP Manufacturing as Fabrication Engineering Trades Workers⁵ had an unemployment rate of 4.3 per cent in 2011, while Construction, Distribution and Production Managers⁶ had an unemployment rate of 4.5 per cent. Data for Engineering Professionals are not available, due to the very small number who were unemployed in 2011, implying a very low unemployment rate for this occupation.

Chart 2: Unemployment rates among people who exited MVMVP Manufacturing, by selected occupation⁷



³ Includes Industrial Spraypainters, Plastics and Rubber Production Machine Operators.

⁴ In MVMVP Manufacturing, this category mainly consists of Vehicle Body Builders and Trimmers.

⁵ Includes Welders.

⁶ In MVMVP Manufacturing, this category mainly consists of Production Managers, Manufacturers and Engineering Managers.

⁷ These seven occupations were the largest employing occupations in the sector in 2006. Missing from the chart is Engineering Professionals (the fifth largest occupation), as data were not available due to the very small number who were unemployed in 2011.

Vulnerable cohorts

Labour market outcomes were weaker for certain groups of former automotive workers.

Females

Females accounted for only 15.9 per cent of employment in the automotive sector in 2006, but those who exited the sector had an unemployment rate of 7.5 per cent in 2011, well above the 6.4 per cent for males. Females also had a much lower rate of labour force participation (69.9 per cent) than males (82.1 per cent).

Overseas born

A much higher proportion of the sector's workforce was born overseas (40.0 per cent in 2006) than across all industries (24.4 per cent). Of those who exited MVMVP Manufacturing, people born overseas recorded weaker labour market outcomes than those born in Australia, as demonstrated by a higher unemployment rate (9.9 per cent, compared with the 5.0 per cent recorded among those born in Australia) and a lower participation rate (73.3 per cent, compared with 84.0 per cent).

Lower level of educational attainment

In 2006, 20.6 per cent of the sector's workforce had a highest level of educational attainment equivalent to year 10 or below. People with this level of educational attainment who exited MVMVP Manufacturing had an unemployment rate of 9.8 per cent, compared with just 3.5 per cent among people holding a bachelor degree or higher.

Those who had increased their level of educational attainment or completed an educational qualification in another field between 2006 and 2011 were more likely to re-enter employment than those whose highest qualification remained the same.

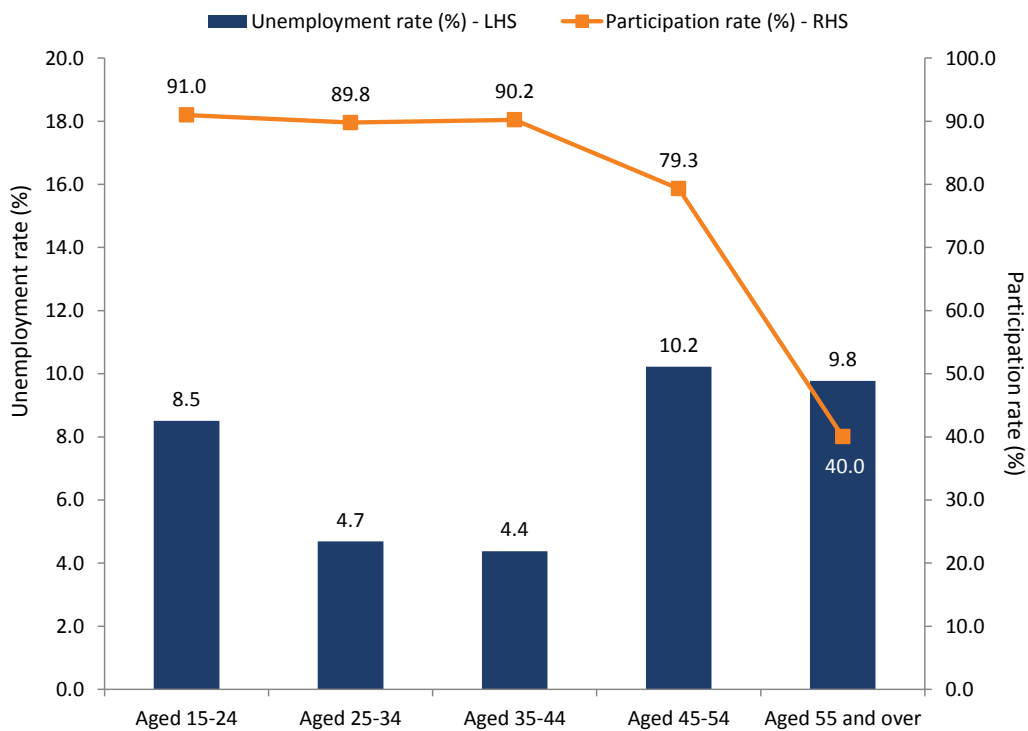
Mature aged

In 2006, 36.3 per cent of the sector's workforce was aged 45 years and over, a similar proportion to the Australian workforce as a whole (37.8 per cent). However, those aged 45-54 years and those aged 55 years and over recorded the highest unemployment rates of those who exited MVMVP Manufacturing (10.2 per cent and 9.2 per cent respectively, see chart 3). Participation rates among both age groups were also much lower than that recorded by younger age groups (79.3 per cent and 40.0 per cent respectively).

Youth

In 2006, 11.5 per cent of the sector's workforce was aged 15-24 years, slightly lower than the proportion across the Australian workforce as a whole (16.4 per cent). However, the unemployment rate among persons aged 15-24 who exited MVMVP Manufacturing was 8.5 per cent, with the age group's comparative disadvantage likely to be due to lower levels of education and experience.

Chart 3: Labour market outcomes of people who exited MVMVP Manufacturing, by age



Impact on earnings, skill level and hours

There is some evidence that those who re-entered employment after leaving the MVMVP Manufacturing sector were more likely to work fewer hours, earn less, and work at a lower skill level.

- 10.2 per cent of people who exited the MVMVP Manufacturing sector had a lower income in 2011 than in 2006, compared with 8.6 per cent across all employed people.
- 22.4 per cent were working at a lower skill level in 2011 than they were in 2006, compared with 16.2 per cent across all employed people.
- 39.5 per cent were working fewer hours in 2011 than they were in 2006, compared with 31.7 per cent across all employed people.

The experience of automotive workers currently facing redundancy may be worse than those who exited the sector over the five years to 2011, due to the likely simultaneous influx of retrenched workers into the labour market and the persistence of soft labour market conditions as the Mining boom unwinds. This may mean that those facing redundancy will be required to make even more sacrifices to re-enter employment, particularly if they are among the aforementioned groups of disadvantage.

That said, those facing redundancy do have the advantage of a long waiting period before their employment is terminated, generous redundancy packages, and targeted government assistance.

Destination sectors

The 30,000 people who re-entered employment after exiting MVMVP Manufacturing worked across a range of sectors, indicating that workers facing retrenchment have a variety of employment options.

More than a quarter of MVMVP Manufacturing workers (8800, or 29 per cent) found employment in another Manufacturing sector. These workers were dispersed across 41 different Manufacturing sectors, with the largest numbers transitioning to:

- Polymer Product Manufacturing (715 workers)
- Other Transport Equipment Manufacturing⁸ (515)
- Specialised Machinery and Equipment Manufacturing (475)
- Other Machinery and Equipment Manufacturing⁹ (365)
- Structural Metal Product Manufacturing (295)

Some found employment in sectors outside of Manufacturing that are in some way related to MVMVP Manufacturing, with the largest numbers transitioning to:

- Automotive Repair and Maintenance (1565 workers)
- Road Freight Transport (860)
- Motor Vehicle and Motor Vehicle Parts Wholesaling (775)
- Architectural, Engineering and Technical Services (580)
- Heavy and Civil Engineering Construction (530)
- Motor Vehicle Retailing (460)
- Machinery and Equipment Repair and Maintenance (450)

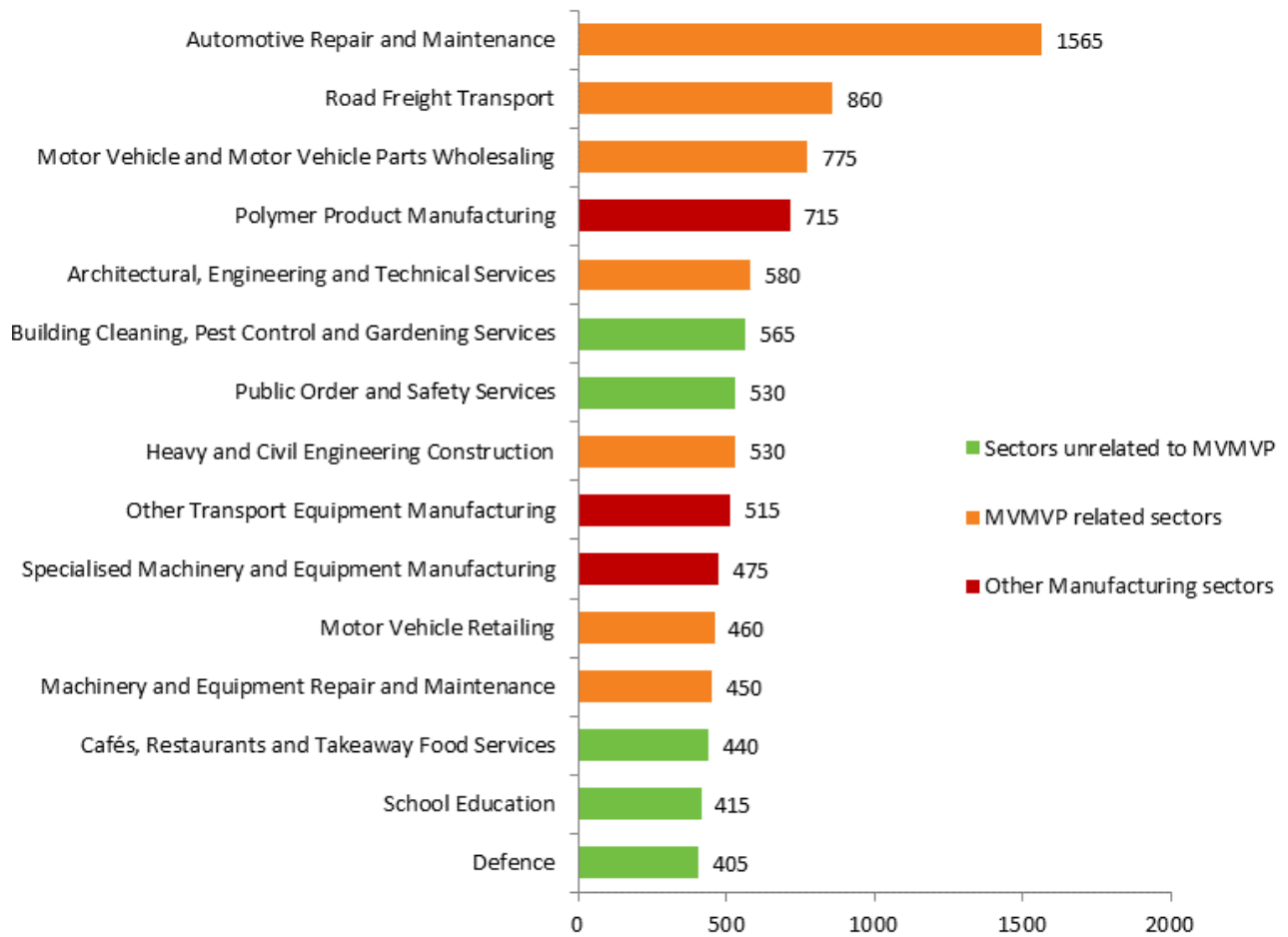
Others moved into sectors unrelated to MVMVP Manufacturing, including:

- Building Cleaning, Pest Control and Gardening Services (565 workers)
- Public Order and Safety Services (530)
- Cafés, Restaurants and Takeaway Food Services (440)
- School Education (415)
- Defence (405)

⁸ Includes Shipbuilding/Boatbuilding and Repair Services, Railway Rolling Stock Manufacturing and Repair Services, and Aircraft Manufacturing and Repair Services.

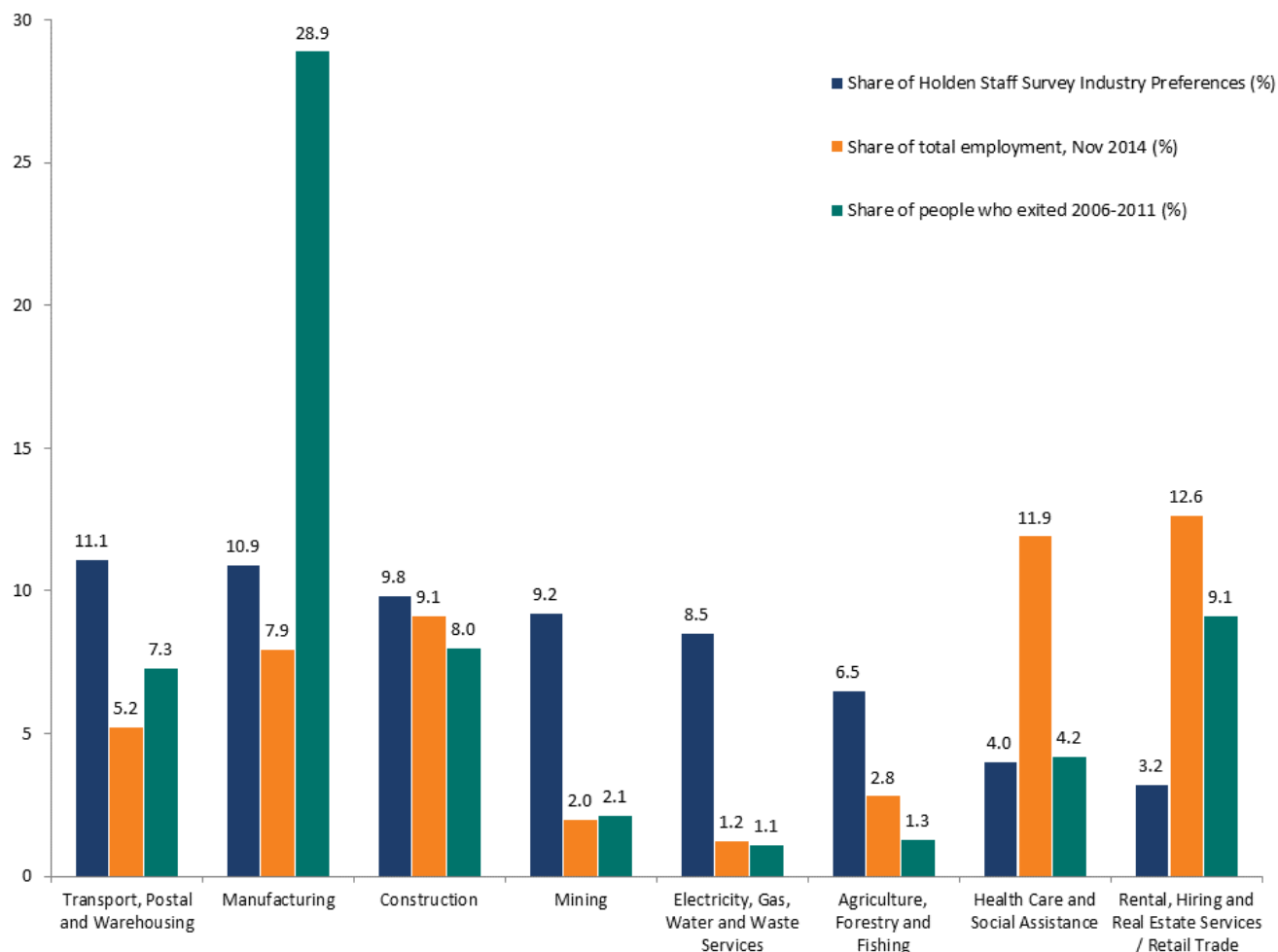
⁹ Includes Lifting and Material Handling Equipment Manufacturing and Machinery and Equipment Manufacturing not elsewhere classified.

Chart 4: Top 15 destination sectors of former MVMVP Manufacturing workers



The industries where people found employment after exiting MVMVP Manufacturing do not perfectly align with the preferences of people currently working in the sector. For example, a Holden Staff Survey conducted in 2014 showed that many workers facing redundancy had a preference for Mining, Agriculture, Forestry and Fishing, and Electricity, Gas, Water and Waste Services (see chart below), whereas very few people who exited MVMVP Manufacturing between 2006 and 2011 found employment in these industries, in line with their small shares of national employment.

Chart 5: Transitions of MVMVP Manufacturing workers between 2006 and 2011, by industry, compared with industry share of employment and preferences of current Holden Staff



Job prospects for potential destination sectors

The Department’s employment projections for the five years to November 2018 indicate that of the top 15 destination sectors, employment growth is likely to be strongest in those sectors unrelated to MVMVP Manufacturing (see Chart 6 below), with many of these sectors projected to record above average growth over the next five years, providing opportunities for workers facing redundancy.

- While employment growth is projected to be relatively strong in Cafés, Restaurants and Takeaway Food Services and in Building Cleaning, Pest Control and Gardening Services, employment in these sectors is predominantly part-time (accounting for 62.2 per cent and 55.7 per cent of employment in those sectors respectively)¹⁰. Accordingly, jobs in those sectors may not be preferred by former automotive workers, 89.9 per cent of whom work full-time.

By contrast, employment in most Manufacturing sectors is projected to decline, implying that job opportunities in the industry will continue to diminish over time. That said, 28.9 per cent of people who left MVMVP Manufacturing between 2006 and 2011 were able to find employment in another Manufacturing sector, despite a decrease in Manufacturing employment of 9.5 per cent over this

¹⁰ ABS, Labour Force, Australia, Detailed, Quarterly, cat. no. 6291.0.55.003, four quarter average to November 2014.

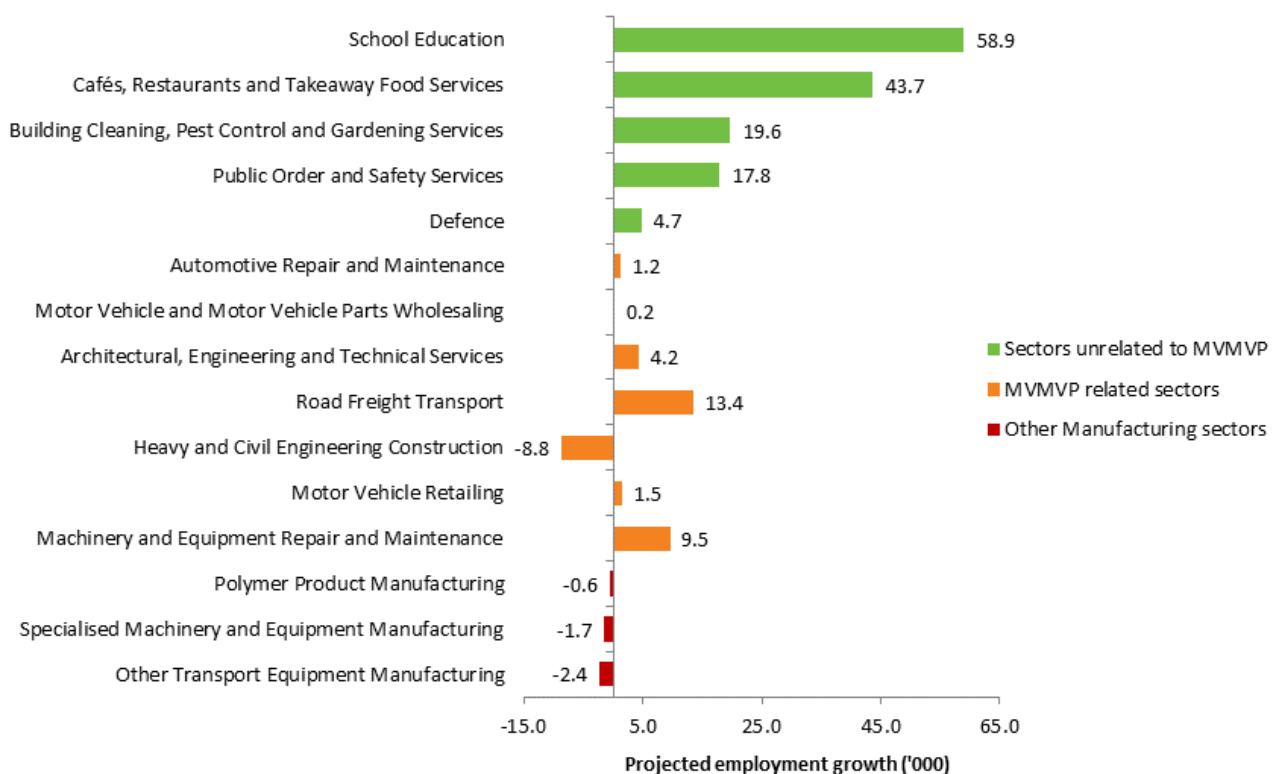
period. This is explained partly by the sheer size of the industry, and partly by the type and location of jobs offered by the industry.

- Manufacturing remains a large industry (employing 911,500 workers at November 2014), with a large number of opportunities generated each year through turnover, even if employment growth is weak. Indeed, the industry is projected to generate close to half a million job opportunities¹¹ over the five years to November 2018. In addition, the industry may strengthen over the next few years due to the declining Australian dollar.
- Manufacturing employs a large number of workers on a full-time basis, in “blue collar” occupations, and in large numbers in Adelaide and Melbourne, making it a desirable destination for displaced automotive workers.

This suggests that the prospects of regaining employment in the Manufacturing sector may be better for people in MVMVP Manufacturing than the current subdued labour market outlook suggests.

Employment growth in sectors outside Manufacturing itself but still in some way related MVMVP Manufacturing is expected to be mixed, with the largest growth projected for Road Freight Transport (a projected increase of 13,400 workers) and Machinery and Equipment Repair and Maintenance (9,500).

Chart 6: Projected employment growth ('000) for selected industry sectors, five years to November 2018



¹¹ ‘Job opportunities’ counts both the number of new jobs expected to be created over the five years and the likely number of job openings due to job turnover (workers leaving the sector for other employment or leaving the workforce). This estimate is calculated from Department of Employment projections and ABS Labour Mobility data.

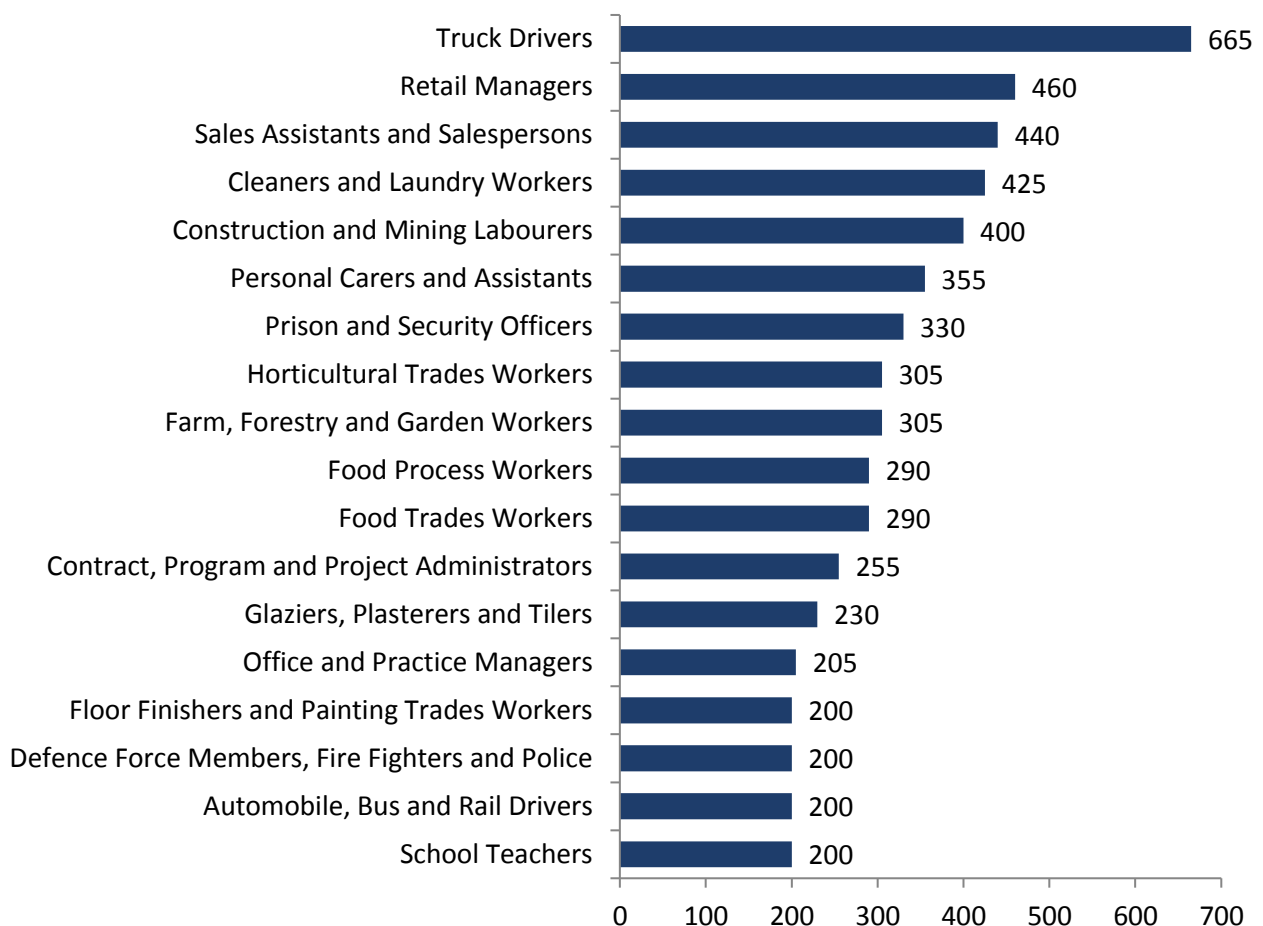
Destination occupations

Some people who exited MVMVP Manufacturing also changed their occupation. Indeed, the occupational profile of those who exited the sector changed considerably between 2006 and 2011. The occupations which recorded the largest declines were:

- Packers and Product Assemblers (declining by 4000 workers)
- Fabrication Engineering Trades Workers (1100)
- Panelbeaters, and Vehicle Body Builders, Trimmers and Painters (750)
- Construction, Distribution and Production Managers (700)
- Mechanical Engineering Trades Workers (600)
- Engineering Professionals (460)

Among those who exited the sector, large increases in employment were recorded for a range of occupations (see chart below), each of which may provide job opportunities for workers currently facing redundancy.

Chart 7: Selected destination occupations of former MVMVP Manufacturing workers



Destination locations

Of the 30,000 automotive workers who found employment in another sector, 12,000 were usual residents of Melbourne and 5,600 were usual residents of Adelaide in 2006.

Most of these workers (around 90 per cent in each city) were still employed in their home city in 2011 (see table below).

Between 6 and 7 per cent found alternative employment interstate. For Melbourne workers, the major destination States were New South Wales (505 workers) and Western Australia (190). For Adelaide workers, the major destination States were Northern Territory (235 workers) and Queensland (145).

Only a small proportion (2.0 and 1.1 per cent respectively) moved to a regional area within their home State.

Table 1: Destination locations of former Melbourne and Adelaide MVMVP Manufacturing workers (%)¹²

	Employed in home city	Employed in regional area of home State	Employed outside home State
Greater Melbourne	91.2	2.0	5.8
Greater Adelaide	90.1	1.1	6.8

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Department of Employment

February 2015

¹² Percentages sum to slightly less than 100 per cent due to a small number of records which could not be assigned definitively to a metropolitan or non-metropolitan region within Victoria and South Australia.