

**THE LATROBE VALLEY, VICTIM OF INDUSTRIAL  
RESTRUCTURING**

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## **EXECUTIVE SUMMARY**

The restructuring of the Electric Supply Industry (ESI) since the late 1980s has resulted in a drastic drop in employment in the industry and associated construction work in the Latrobe Valley. In the late 1980s, about half of the 22,000 persons employed by the SECV worked in the Latrobe Valley. Currently, only about 2,600 persons are employed by the privatised power companies, the briquette operation, the private contractors providing their maintenance and other service needs and those employed in the transmission of power. Since the early 1990s there has also been a virtual cessation in the construction of major power stations in the Latrobe Valley. As a result another thousand or more jobs in the construction industry and the companies servicing this industry have also gone.

The benefits of productivity gains in the ESI have largely gone to domestic, industrial and commercial consumers, most of whom are located in Melbourne. The costs of restructuring have been localised in the Latrobe Valley.

The consequences for the Latrobe Valley include:

- A major net loss of people from the Valley. During 1991-1996 this equivalent to about nine per cent of residents living in the Valley in 1991. There has been a continued decline the region's population since 1996.
- Very high unemployment levels and withdrawals from the labour force. These are higher than any other comparable Regional centre in Victoria.
- Depressed local business conditions, as local service providers struggle in the face of a declining population and lower income levels amongst residents affected by employment loss in the ESI and the construction industry.

The Latrobe Valley is an extreme example of the growing gulf between metropolis and region in Victoria. This gap is growing larger. Since the mid-1990s Melbourne has experienced an economic boom resulting in rapid job creation and falling unemployment. By contrast, over the same period, unemployment levels have increased in the Latrobe Valley.

The social costs of these developments have been profound, particularly in relation to families raising dependent children and for young people.

Poor job prospects in the Valley and low family incomes have combined to produce a pronounced pattern of early school leaving amongst young men and women. For Valley residents who leave school early there are also far fewer opportunities for apprentice positions or technical traineeships than was the case in the late 1980s when the SECV dominated the local training scene.

A significant minority of Latrobe Valley families raising dependent children are poor. Over 30 per cent of all such families in Moe and Morwell are without a breadwinner. This situation is largely due to the high proportion of families headed by single mothers.

The high incidence of sole parent families reflects the low educational attainments and poor job prospects of young Latrobe Valley women. Such women are much more likely to begin raising families while in their twenties than their better educated counterparts in Melbourne. The latter have more to offer employers and a more buoyant labour market in which to seek employment. Unfortunately many of families in question in the Latrobe Valley are breaking down.

If this crisis is to be arrested it will require the creation of new jobs in the Valley and a major investment in the training of young people so that they can compete for these jobs. Such action should be seen as a form of community compensation for the costs of National Competition Policy. The Commonwealth and State agencies driving the thrust for greater productivity acknowledge the legitimacy of such claims, at least in the abstract. However, in practice they have been reluctant to deliver on their promises.

## **THE LATROBE VALLEY, VICTIM OF INDUSTRIAL RESTRUCTURING**

### **The Regional Victorian Setting**

Since the early 1990s, the gulf between the economic fortunes of Melbourne and the rest of Victoria (subsequently referred to as Regional Victoria) have diverged. Melbourne has been the main beneficiary of the economic boom of the mid to late 1990s within the state of Victoria. At the same time, regional centres have fallen behind, with the most conspicuous laggard being the Latrobe Valley. The results of this divergent experience can be seen across a wide spectrum of indicators.

One of the most striking is population movement. Since people tend to follow employment opportunities, such movement is a strong indicator of the relative economic strength of particular localities. During the 1980s, the rate of population growth in Regional Victoria kept pace with that of Melbourne. However, over the last decade Melbourne has dominated. Over the years 1991-1996, Melbourne's population grew by 4.0 per cent compared with 1.0 per cent in Regional Victoria, and between 1996 and 1999 Melbourne is estimated to have grown by 4.1 per cent compared with 1.4 per cent for Regional Victoria. There are two main reasons for this outcome. As in the 1980s, Melbourne continues to be main settlement point of overseas migrants. But unlike the 1980s, in recent years Melbourne has been losing a smaller share of its population to other Australian locations than has Regional Victoria.

As the above comment suggests, these population movements are consistent with job creation trends. During the 1990s the rate of growth of jobs in Melbourne has greatly exceeded that in Regional Victoria. For the most recent period, 1996 to 2000, when the pace of economic growth accelerated in Australia such that most areas saw some employment growth, employment grew 7.8 per cent in Melbourne and 4.3 per cent in Regional Victoria.<sup>1</sup> This dominance is reflected in various economic indicators, including residential and non-residential building construction, all of which show Melbourne's share of activity relative to Regional Victoria at a higher level in the late 1990s than was the case in the late 1980s.<sup>2</sup>

This is a familiar story which is not limited to Victoria. The same growing gulf between metropolis and region is evident in New South Wales. The sense amongst non-metropolitan Australian residents that they have been left behind has fuelled a regional political backlash. Some of the reasons are well known. Farmers have struggled in the face of soft commodity prices. They have responded with impressive gains in productivity. But one of the consequences has been increased pressure to reduce labour inputs with consequent dampening effects on the demand for farm labour. Accompanying pressures for lower cost or more 'efficient' public and private service delivery have led to lower employment levels in these service industries has further impacted on local population levels as some of those affected move out.

An equally important influence behind increased metropolitan economic dominance is the success of a few Australian metropolises – particularly Sydney and Melbourne – in 'new economy' fields. These fields include the business, financial, property and insurance services sectors. The impact of employment losses in regional areas at the customer level, as with the closure of bank branches has been widely discussed. But it is less well known that elsewhere, particularly in the business services sector (which includes technical and scientific services, computing services, management, marketing, accounting and related services to business), employment has boomed. Employment in business services in Victoria grew by an estimated 46,427 between 1996 and 2000. This represented some 32 per cent of all net job growth in Victoria over the same period. However, all of this net growth in business service employment occurred in Melbourne. Indeed, the Australian Bureau of Statistics (ABS) estimates that at the same time as employment in this sector was booming in Melbourne there was actually a slight decline in the net number of persons employed in business services industries in Regional Victoria.

Metropolitan dominance of the most rapidly growing sector of the Australian economy is at the root of Melbourne and Sydney's increased economic pre-eminence relative to respective regional hinterlands.<sup>3</sup>

From the perspective of regional Victoria it seems that, in order to survive, commodity producers are having to redouble their efforts to stay competitive in the international market place. But the benefits of this productivity appear to be going to consumers, most

of whom live in the metropolises, and to the metropolitan firms providing the services needed to survive in the global economy.

In Victoria, some regional centres are at least holding their own as regards population and job creation. These places include Mildura and Wodonga. Some regional centres are also benefiting from the 'sponge' effect, as some of the former residents of smaller settlements in their hinterland move in. But Victoria's regional centres are not well equipped to compete with metropolitan firms in the business service sector. They have developed as centres of wholesale and retail trade, education, health and other community services which provide for the local population. Fortunately, these services are not (at least in the main) vulnerable to outside competition. However, if the customer base declines, perhaps because of the loss of a former tariff-protected industry or, as in the Latrobe Valley, because of restructuring in the ESI then even these service industries can be affected.

The consequence of these developments in Regional Victoria is a sense of injustice. The feeling is that there is little return, despite all the effort of adjusting to the global market place. Meanwhile Melbourne is flourishing. Thus the indignant demands that something should be done to help regional areas.

### **The Latrobe Valley and the onset of ESI restructuring**

This indignant mood is acute in the Latrobe Valley. When the State Electricity Commission of Victoria (SECV) announced in 1989 that it would restructure the ESI, it was evident that some jobs would be lost. The SECV's own projections at the time indicated that 'a period of decline in SECV Latrobe Valley employment can be expected until the mid 1990s'. But the projected loss of several thousand jobs proved to be far lower than what subsequently occurred.<sup>4</sup> Various reports were issued in the aftermath of this decision which pointed to the great benefits in productivity which would flow to Victorians from restructuring the ESI. Thousands of extra jobs were expected to result in Victoria as a consequence. Nevertheless, the question of where these jobs would be created and how the Latrobe Valley community would emerge from the process was avoided.<sup>5</sup> As Sharn Stone, who has completed the most detailed work on the economic

consequences of restructuring, notes, ‘the fact that the reports fail to make reference to the ways in which the reform will affect the Gippsland region is their greatest shortcoming.’<sup>6</sup>

The employment and social effects of ESI restructuring have had a more severe impact than any of the official proponents of the reform process ever acknowledged. As shown below, the Latrobe Valley community is currently the most severely disadvantaged in Regional Victoria.

Most of the employment impact of restructuring occurred between 1989 and 1995, before the SECV was privatised. Since the privatisation of the industry in 1995 there have been further pressures on the firms producing power in the Latrobe Valley to reduce employment levels. They wish to maximise their return on investment. They are doing so in a context where power prices have fallen sharply. As a consequence the current employment level in the ESI, even though far below that of the late 1980s, could well decline further. This prospect is explored in the final section of this report.

Productivity gains are welcome news for the power companies and perhaps electricity consumers. But the costs are being borne by the power industry workforce and by the Latrobe Valley communities in which most of these workers live.

### **Employment Impact of Electricity Supply Reforms**

The economic situation in the Valley, has been, and still is, dependent on employment levels in the ESI. There has been no other major source of employment capable of providing a base (or ‘lead’) from which private and public service employment (as in retail, community, education and health services) could build. These service industries provide the bulk of jobs in the Valley. However, their number is shaped by employment levels within the ESI. As Table 1 indicates there were no major new industries established in the Valley in the period up to 1996 which might have compensated for the sharp contraction in ESI employment and which could have provided an alternative base for additional service jobs. Table 1 shows the employment levels by broad industry category for the three main Latrobe Valley towns for the decade 1986 to 1996. (The table does not include people living on the fringes of these towns). Employment fell in manufacturing as

well as amongst utilities. Thus, to the extent that the social and economic situation in the Latrobe Valley deteriorated in the first half of the 1990s, it was largely a consequence of employment contraction in the ESI.

**Table 1: Employment by industry, Traralgon, Morwell and Moe in 1986 and 1996**

Industry	1986	1996
Agriculture, forestry, fishing	300	197
Mining	408	185
Manufacturing	2,634	1,996
Electricity, gas and water utilities	6,192	1,396
Construction	2,081	1,423
Wholesale and retail trade	3,552	3,887
Transport and storage	522	413
Communication	306	317
Finance, property and business services	1,366	1,997
Public administration and defence	781	660
Community services	3,229	3,370
Recreation, personal and other services	937	1,345
TOTAL	22,308	17,186

Source: Data is for the Latrobe Valley towns, rather than Statistical Local Areas (SLA) as used elsewhere in this report. It is derived from Infrastructure, *Towns in Time, Data*, 1999



## Employment in the ESI

As of mid-1986 the State Electricity Commission employed 22,045 persons.<sup>7</sup> About half of these people were employed in the Latrobe Valley. Table 2 shows the numbers located in what the SECV defined as ‘Latrobe Valley Based Departments’. These numbers peaked at 9859 in 1988. They included some 3,500 persons employed in ‘General Services and Workshops’. In addition, informants familiar with the Valley workforce estimate that there were an additional 1,300 staff employed in the Valley who belonged to non-Latrobe Valley Departments, particularly Transmission/Supply or who worked Valley branches of Head Office Departments such as those dealing with coal research and construction design functions.

**Table 2: Personnel strengths (to 30 June), Latrobe Valley based departments, SECV, 1986-1992**

	1992	1991	1990	1989	1988	1987	1986
Persons	7,103	7,435	8,481	9,644	9,859	9,578	9,481

Source: SECV Annual Report, 1991-1992

After 1988 the number of terminations rose sharply, reflecting the availability of redundancy packages in 1989. By December 1991 approximately 2,500 SEC workers in the Latrobe Valley had accepted this offer.<sup>8</sup> Further contraction occurred in the early 1990s. Between 1989 and 1995 the numbers employed in electricity production in the Latrobe Valley fell from some 8,481 to 3,661.<sup>9</sup>

These figures include persons employed in the power stations, the coal mines servicing these power stations and those employed in maintenance and service functions. Since the privatisation of the ESI into various generation and supply comply components there has been further substantial employment falls. Currently there are just 1790 persons employed directly employed in the various power companies operating in the Latrobe Valley (See Table 3). In addition it is estimated that there are around another 520 workers employed

by private contractors in maintenance and service functions. A further 220 are employed by Energy Brix Australia, the firm now running the briquette operation.

**Table 3: Power company employment in the Latrobe Valley, 2001**

Name of company	Number of employees
Yallourn Energy	590
Loy Yang Power	550
Hazelwood Power	530
Edison Mission Energy	120
Total	1,790

Source: Report to Cabinet by the Latrobe Valley Ministerial Taskforce, 2001, p. 92

In all, there has been a devastating fall in ESI employment in the Latrobe Valley, from 9859 in 1998 to around 2,300 today. In addition most of the estimated 1,500 persons in the 1980s who were employed in the Latrobe Valley in transmission/supply and other head office functions in the Valley have lost their employment or moved to Melbourne.

The collapse of employment in the contractor section of the ESI workforce has been particularly disappointing. When in the early 1990s, the SECV outsourced to private contractors the maintenance and service functions previously performed by those directly employed (in the ‘General Services and Workshops Departments’) it expressed great hope that these contractors would flourish in the wider marketplace. In its words:

This outsourcing resulted in a number of additional national and international organisations (including Siemens, Silcar, Skilled Engineering, Transfield and Fluor Daniel) setting up operations with the Latrobe Valley. This has expanded the breadth of local employment. Some of these companies are attracting work from outside the Latrobe Valley and also providing opportunities for Latrobe Valley-based employees to work on contracts outside the Valley.<sup>10</sup>

This optimism has proved to be misplaced. Many of these firms have since closed down, including Siemens. Another notable fatality was the steel fabrication company Di Fabrizio Pty Ltd, which ceased operations in late 2000. This is partly due to the new regime of competitive tendering for ESI work which has seen some work sourced outside the Valley. But the main problem was the cessation of major power station construction. When Stage 2 of the Loy Yang B construction program was completed in 1992 approximately 800 construction jobs were lost. There has been no major construction in the Latrobe Valley since this time which might have compensated for this loss.

The recent Victorian Government Taskforce does acknowledge that the Latrobe Valley has experienced ‘troubled’ times and on this account ‘deserves’ the attention of the Taskforce led by the Minister for State and Regional Development, Mr John Brumby. However at no point does the Report resulting from the Taskforce’s deliberations acknowledge the scale of the employment loss in the region’s main industry just described.

## The overall employment situation in the Latrobe Valley

These developments combined to produce a bleak employment situation in the Latrobe Valley by 1996. This shows starkly in 1996 Census records of the labour force status of men between the ages of 25-64 (see Table 4). The proportion of men unemployed or not in the workforce by age group who were living in Moe and Morwell was higher than for any of the other Victorian locations listed. Adult males would normally be expected to be productively employed and thus capable of meeting their obligations as husbands and fathers. But in Moe, Morwell and Traralgon, 30 per cent, 33 per cent and 18.5 per cent respectively of men aged 25-34 were either unemployed or not in the workforce. The situation was slightly better for men aged 35-44. But even so, in 1996, 26 per cent of such 30-44 year old men in Moe, 25 per cent in Morwell and 16 per cent in Traralgon were unemployed or not in the labour force.

**Table 4: Labour force status of Victorian men, aged 25-64 by by age group and selected residence, 1996**

Usual residence	25-34 years			35-44 years			45-54 years			55-64 years			Total each age group
	Em-ployed	Unemployed	Not in labour force	Employed	Unemployed	Not in labour force	Employed	Unemployed	Not in labour force	Employed	Unemployed	Not in labour force	
Melbourne SD	81.8	7.9	7.4	83.7	6.3	7.3	80.3	6.1	11.0	53.9	6.7	35.8	100.0
Geelong	80.9	10.5	6.4	84.1	7.4	6.5	79.6	7.6	10.7	45.4	9.4	42.4	100.0
Metropolitan fringe	81.5	8.1	5.9	84.8	6.0	6.2	81.9	5.7	10.0	55.0	7.5	33.7	100.0
East Gippsland (S) – Bairnsdale	73.7	13.7	9.4	77.4	9.8	10.2	72.0	8.2	16.3	37.0	9.7	49.4	100.0
Wellington (S) – Sale	78.2	10.7	6.0	83.0	6.0	6.2	75.2	7.2	15.0	47.8	8.6	39.7	100.0
Latrobe (S) – Moe	69.6	19.1	8.9	72.6	14.2	10.8	62.8	16.4	17.4	24.6	12.9	58.8	100.0
Latrobe (S) – Morwell	66.9	18.2	11.9	71.1	14.7	10.7	70.8	13.8	13.8	38.9	12.3	45.0	100.0
Latrobe (S) – Traralgon	81.5	10.5	5.8	82.3	9.4	6.3	77.0	9.3	11.7	48.2	9.3	40.1	100.0
Bass Coast (S) Bal	79.5	10.0	7.5	77.6	10.0	9.9	73.0	6.4	18.5	39.6	6.2	50.7	100.0
Rest of Gippsland/ East Gippsland	76.8	11.4	7.0	80.4	9.0	7.5	76.7	8.1	12.2	53.3	8.1	34.7	100.0
Large centres 25,000+	78.3	11.2	8.1	81.2	8.0	8.6	77.0	7.1	13.7	46.8	6.4	43.0	100.0
Small centres 10,000+	81.3	9.1	7.3	83.4	5.9	9.0	76.9	6.2	14.7	52.0	5.5	39.1	100.0
Very small centres 5,000+	79.2	8.1	7.1	80.8	6.3	8.3	75.8	6.0	14.0	49.4	5.7	41.1	100.0
Other Rural	80.6	8.6	7.2	82.9	6.4	8.1	78.8	5.9	12.9	55.5	5.7	35.4	100.0
TOTAL Victoria <sup>2</sup>	81.2	8.4	7.4	83.2	6.6	7.5	79.5	6.4	11.6	52.7	6.8	36.8	100.0

<sup>1</sup> Includes labour force not stated, total is for each age group

<sup>2</sup> Total includes no usual residence Victoria, Victoria NS/offshore/migratory

Source; 1996 Census, Customized Matrix, Centre for Population and Urban Research, Monash University

### *Population movements and economic activity in the Latrobe Valley*

As indicated below, there has been little improvement in the Latrobe Valley labour market since 1996. One of reasons for this has to do with population movements during the 1990s. The providers of retail and other services in the Latrobe Valley community have had to cope with the dampening effect of lower expenditures associated with job losses in the ESI. But in addition, there has also been a net loss of people from the Valley. The scale of this loss has been a central issue in determining the knock-on effects of ESI restructuring.

Kazakevitch and his co-authors at the Gippsland campus of Monash University have attempted to estimate the overall impact of ESI restructuring for the Latrobe Valley economy. Included in this analysis is an estimate of the implication of population losses.<sup>11</sup> They explore the extent to which the overall fate of the Latrobe Valley economy has been tied to employment levels in the ESI. Their data indicate that expenditure on non-salary/wages by the ESI core and contracting firms during the first half of the 1990s did not fall. However, there was a sharp decline in imputed expenditure by ESI employees, which they attribute to the fall in employment in this industry.<sup>12</sup> This, they argue (without providing precise estimates), had a severe dampening effect on expenditure for goods and services elsewhere in the Valley economy.

One of the difficulties the authors faced in making judgements about this 'expenditure' impact, was that they did not have firm data on how many of those who left the ESI subsequently moved out of the Latrobe Valley. A further question is how many others left the Valley because of the subdued business and employment situation resulting. Obviously, the higher the level of departures, the sharper will be the drop in expenditure within the Valley. Kazakevitch and his co-authors imply, on the basis of a modelling exercise which sought to link population movement to the state of the Latrobe Valley economy, that there was loss of around 1,400 persons from the Valley over the 1986-1995 period.<sup>13</sup>

Population estimates derived from the 1996 Census show that the actual loss was far greater than this estimate. The population of the area was fairly stable until 1991.

However, Table 5 shows that it declined by some 4,000 over the period 1991-1996. Since that time there has been a gradual drift down in the Valley population.

**Table 5: Estimated Residential Population (ERP), Latrobe Valley, 1991 to 1999**

	1991	1996	1997	1998	1999	2000
Moe	20,463	18,835	18,929	18,956	18,588	na
Morwell	26,153	23,931	23,710	23,460	23,083	na
Traralgon	25,928	25,538	25,707	25,643	25,726	na
Latrobe (S) – Balance	2,710	2,811	2,689	2,673	2,665	na
Total Latrobe (Shire)	75,254	71,115	71,035	70,732	70,062	na
Baw Baw (S) Part A	4,196	4,352	4,337	4,334	4,306	na
Total Latrobe (SSD*)	79,450	75,467	75,372	75,156	74,368	73,439

\* Statistical Subdivision

Source: Australian Bureau of Statistics, *Estimated Resident Population by Statistical Local Area*, Victoria, Australian Demographic Statistics, Cat. No. 3101.0, December 2000

Further analysis of 1996 Census data shows that during the 1991-1996 period shows that (consistent with the ERP figures) there was a high net loss of people from the Latrobe Valley Shire. Unfortunately, it is not possible to identify those who were former ESI employees. Table 6 shows that this loss was equivalent to nine per cent of all persons who were resident in the Latrobe Valley in 1991. This figure refers to the difference between the number of in-movers and out-movers. (Out-movers are all those persons who said they were resident in an area in 1991 but who had left the area by 1996 and in-movers are all persons who were resident elsewhere in Australia in 1991 but who had moved into the area by 1996.)

**Table 6: Net population movement from internal migration, Latrobe Valley Shire, 1991-1996**

	Base population 1991	Net population movement	Net movement as per cent of 1991 base
Moe	17,799	-1,804	-10.1
Traralgon	23,254	-1,454	-6.3
Morwell and balance	25,147	-2,683	-10.7
Total Latrobe Valley	66,200	-5,941	-9.0

Source: Customised 1996 Census matrix, Centre for Population and Urban Research, Monash University

The pattern for men is shown in Table 7. It shows severe losses of 15-24 year old males who were resident in the Latrobe Valley in 1991. This loss is repeated elsewhere in regional Victoria. What is distinctive to the Latrobe Valley is that these losses were repeated for men aged 25-44 and 45-64. Though not shown in the table, the pattern is similar for women. The 14.2 per cent net loss of men aged 25-44 from Moe and 16.3 per cent net loss from Morwell is particularly striking. Around a third of men in this age group who were resident in the three towns in 1991 had left the Valley by 1996.

**Table 7: Population movement from internal migration in the Latrobe Valley Shire 1991-1996, Males by selected age groups**

	Residents 1991	Non movers	Males aged 15-24		Net movement	Net as % of 1991 base
			Out movers	In movers		
Males aged 15-24						
Moe	1,340	906	434	175	-259	-19.3
Traralgon	1,954	1,348	606	288	-318	-16.3
Morwell*	2,057	1,448	609	440	-169	-8.2
Latrobe Valley**	5,351	3,922	1,429	683	-746	-13.9
Males aged 25-44						
Moe	2,832	2,041	791	390	-401	-14.2
Traralgon	3,904	2,785	1,119	882	-237	-6.1
Morwell*	4,130	2,978	1,332	660	-672	-16.3
Latrobe Valley**	10,866	8,273	2,593	1,283	1,310	-12.1
Males aged 45-64						
Moe	1,846	1,550	296	194	-102	-5.5
Traralgon	2,504	2,051	453	286	-167	-6.7
Morwell*	2,792	2,334	458	266	-192	-6.9
Latrobe Valley**	7,142	6,133	1,009	548	-461	-6.4

• Morwell and balance of Latrobe Valley Shire

\*\* For non-movers, in-movers and out-movers Latrobe Valley Shire is not the sum of the three areas because some people moved between these areas but remained within the Latrobe Valley.

Source: Customised 1996 Census Matrix, Centre for Population and Urban Research, Monash University

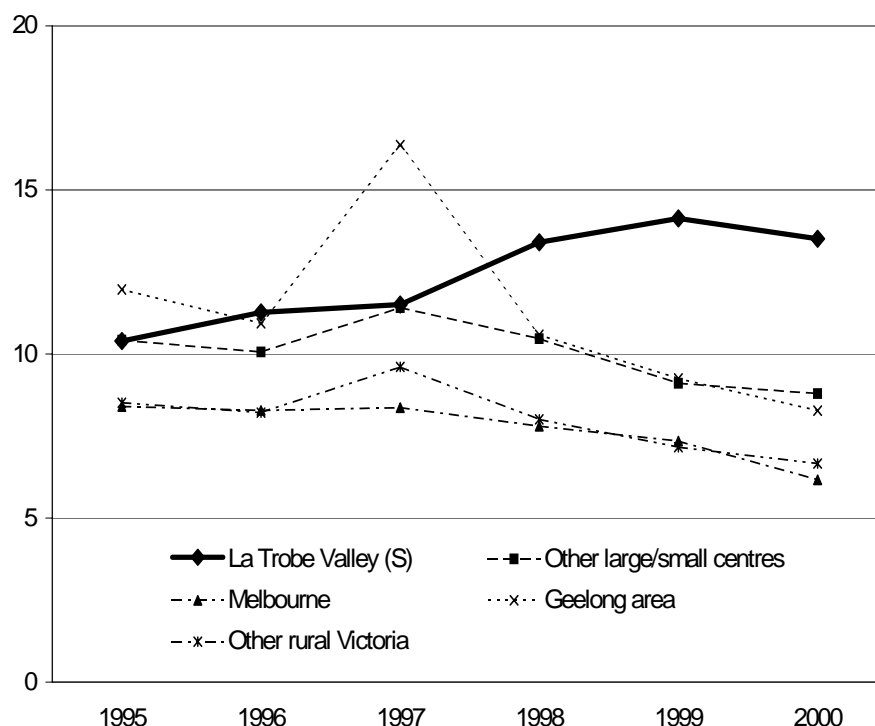
This higher than anticipated loss (at least by Kazakevitch et al) implies a considerable loss of expenditure in the Valley. It helps explain the poor state of the housing market in the Valley and the sluggish growth in employment in services, relative to other regional centres in Victoria over the decade 1986-1996. Table 5 showed that the population decline up to 1996 has since slowed. However, this table should not be taken to mean that the loss of adults from the Latrobe Valley has ceased. The Latrobe Valley population is relatively youthful. As a result it is still experiencing a surplus of births over deaths equivalent to about 0.5 per cent per year of the total population. The region's population should be increasing by this amount each year. That it is not, indicates that there is a continuing loss of adults, though not to the extent of the early 1990s.

### *The employment situation since 1996*

Unfortunately, it will be difficult to provide any detailed assessment of employment by industry in the Latrobe Valley since 1996 until the 2001 Census counts become available, or until the results of the current business survey being conducted by Monash University's Gippsland Research and Information Bank is completed. Nevertheless, the impression gained from the continuing restructuring of the ESI discussed above, the difficulties faced by privatised firms servicing the ESI, and the continuing loss of adults from the Valley population, is that there has been little job growth since 1996. There are only a few notable new enterprises which have started in the area, including the National Foods plant in Morwell and the Centrelink call centre in Traralgon.

However, recent information on the labour market situation of Latrobe Valley residents is available. Trend data on unemployment estimates provided by the Commonwealth Government's 'Small Area Labour Markets' series is the most widely cited source. These estimates are based on ABS Labour Force Survey data adjusted to Centrelink counts of persons in receipt of New Start or Youth Allowance benefits. These estimates are displayed in Figure 1. The striking aspect of these data is the extent to which the Latrobe Valley has diverged from that of Melbourne since the mid-1990s and other regional

**Figure 1: Unemployment rates, 1995-2000 (June each year)**





centres. Unemployment in Melbourne has declined from 8.4 per cent in mid-1995 to 6.2 per cent in mid-2000. This is to be expected given the boom in the metropolitan economy in the late 1990s. The situation in other regional centres has also improved, though unemployment remains higher than in Melbourne. By contrast, unemployment levels are estimated to have increased in Morwell, Moe and Traralgon over the same period.

There are grounds for believing that these ‘small area’ estimates understate the divergence between metropolis and at least some regional areas. The Report on *The State of the Regions 2000*, prepared by National Economics and published by the Australian Local Government Association argues that the official estimates understate the actual unemployment levels because they do not count persons who have moved out of the labour force, particularly those on disability pensions. National Economics also claims that the greatest level of understatement occurs in regional areas. They provide regional unemployment estimates which adjust for this hidden unemployment. These estimates imply that the divergence between the strength of metropolitan and regional labour markets is greater than officially acknowledged. For example, the adjusted unemployment estimates provided by National Economics indicate that unemployment for all of Gippsland was 13.3 per cent in 1996 and 16.2 per cent in 2000. By contrast the official Labour Force survey estimate of unemployment for Gippsland in June 2000 was just 10.5 per cent.<sup>14</sup>

Our analysis of unpublished Centrelink data for August 2000 confirms this argument. We have calculated ratios of the proportion of adult men and women in the Latrobe Valley and other Victorian locations who were in receipt of a benefit or pension as of late 2000. These ratios indicate that the proportion of men and women who are not in the labour market is far higher than is implied by the official unemployment estimates. They also confirm that the extent of welfare dependence is more acute in the Latrobe Valley than elsewhere in Regional Victoria.

Tables 8a and 8b are based on counts of all persons in receipt of a benefit (mainly Newstart and Youth Allowance) or pension (mainly Disability and Parenting Payment Single — previously known as the Sole Parent pension) in 2000 as a proportion of the estimated number of persons in the areas cited. The ratios shown do not include benefits

paid in the form of the Youth Allowance or Austudy to secondary or tertiary level students.

**Table 8a: Proportion of women aged 15-64 years receiving Centrelink payments, 2000**

Location	Age group					15-64
	15-24	25-34	35-44	45-54	55-64	
Baw Baw (S) - Pt A	13.2	26.9	17.8	23.1	70.2	25.8
Latrobe (S) - Moe	21.2	26.1	24.0	28.9	66.9	31.1
Latrobe (S) - Morwell	20.0	29.3	25.1	31.5	62.4	30.9
Latrobe (S) - Traralgon	13.7	16.2	16.7	19.2	48.4	20.1
Latrobe (S) Bal	11.1	18.6	14.6	15.9	44.9	18.6
Latrobe Valley SSD	17.5	23.1	21.0	25.4	59.0	26.4
Greater Bendigo (C) SSD	14.7	20.8	21.6	23.9	57.4	24.8
Ballarat (C) SSD	15.4	21.5	21.0	25.0	56.9	25.0
Wodonga (RC)	15.2	17.9	19.3	21.0	57.4	22.3
Warnambool (C)	14.2	18.1	20.0	21.5	50.5	22.5
Greater Shepparton (C)	17.3	20.8	19.5	21.5	48.9	23.8
Melbourne	7.8	12.2	13.7	16.9	45.4	16.8

**Table 8b: Proportion of men aged 15-64 yrs receiving Centrelink payments, 2000**

Location	Age group					15-64
	15-24	25-34	35-44	45-54	55-64	
Baw Baw (S) - Pt A	15.6	18.9	14.8	17.4	38.4	19.4
Latrobe (S) - Moe	20.7	24.6	23.6	25.9	50.0	27.5
Latrobe (S) - Morwell	17.0	28.9	26.9	26.6	42.9	26.9
Latrobe (S) - Traralgon	11.4	15.0	14.5	15.0	31.4	16.2
Latrobe (S) Bal	9.4	14.7	12.7	12.7	28.1	14.3
Latrobe Valley SSD	15.5	21.7	20.2	21.3	40.0	22.3
Greater Bendigo (C) SSD	12.5	17.1	15.4	18.2	40.1	18.7
Ballarat (C) SSD	14.4	17.3	15.7	20.7	39.0	19.5
Wodonga (RC)	10.5	14.7	12.5	13.5	32.4	14.8
Warnambool (C)	12.2	16.3	12.7	16.3	33.1	16.6
Greater Shepparton (C)	15.5	17.3	16.3	15.8	32.0	18.4
Melbourne	6.7	9.6	10.1	12.3	27.8	11.9

Source: Centrelink payments 2000 unpublished, ABS, Estimated Resident Population by Age and Sex, unpublished, 1999

The level of welfare dependency in the regional centres listed (Bendigo, Ballarat, Wodonga, Warnambool and Shepparton) is around 50 per cent higher than is the case for Melbourne. In the case of women, the margin between the Latrobe Valley and the other centres is not great. But for men, the Latrobe Valley stands out as by far the worst affected area. For each of the age groups 25-34, 35-44 and 45-54, slightly more than 20 per cent (or one in every five) of men living in the Latrobe Valley in 2000 was in receipt

of a benefit or pension. This compares with around 15 per cent in the other regional centres and 10 per cent in Melbourne.

We do not hold parallel figures for 1996. However, a comparison of the data shown in Table 4 suggests that not much has changed since that time. The proportions of men unemployed or not in the labour force in 1996 in each of the Latrobe Valley towns is very similar to the proportions in 2000 who were in receipt of a benefit or pension. Data on the major benefits and pensions received by Latrobe Valley residents, shown in Table 9a for women aged 25-34 and Table 9b for men aged 35-44, give a further

**Table 9a: Women aged 25-34 yrs, proportion receiving Centrelink payment by type, 2000**

Location	Type of payment				TOTAL
	Labour market	Disability Pension	Parenting Single	Other pension	
Baw Baw (S) - Pt A	3.2	2.9	20.2	0.7	26.9
Latrobe (S) - Moe	3.5	3.5	18.4	0.7	26.1
Latrobe (S) - Morwell	5.5	3.0	20.0	0.9	29.3
Latrobe (S) - Traralgon	2.3	1.7	11.9	0.3	16.2
Latrobe (S) Balance	3.2	1.9	13.0	0.4	18.6
Latrobe Valley SSD	3.6	2.6	16.3	0.6	23.1
Greater Bendigo (C) SSD	3.4	2.8	14.2	0.4	20.8
Ballarat (C) SSD	3.7	3.0	14.4	0.4	21.5
Wodonga (RC)	2.5	2.1	13.0	0.2	17.9
Warnambool (C)	3.2	3.0	11.3	0.6	18.1
Greater Shepparton (C)	3.9	3.0	13.4	0.6	20.8
Melbourne	3.0	1.6	7.4	0.2	12.2

**Table 9b : Men aged 35-44 yrs, proportion receiving Centrelink payment by type, 2000**

Location	Type of payment				TOTAL
	Labour market	Disability Pension	Parenting Single	Other pension	
Baw Baw (S) - Pt A	9.1	4.3	1.1	0.4	14.8
Latrobe (S) - Moe	13.7	7.6	1.7	0.6	23.6
Latrobe (S) - Morwell	14.1	9.9	2.2	0.8	26.9
Latrobe (S) - Traralgon	9.3	4.0	1.0	0.2	14.5
Latrobe (S) Balance	8.0	3.4	1.1	0.3	12.7
Latrobe Valley SSD	11.7	6.6	1.5	0.5	20.2
Greater Bendigo (C) SSD	7.8	5.8	1.6	0.2	15.4
Ballarat (C) SSD	8.6	5.5	1.1	0.4	15.7
Wodonga (RC)	5.9	4.8	1.5	0.3	12.5
Warnambool (C)	7.0	4.6	0.8	0.2	12.7
Greater Shepparton (C)	9.0	5.8	1.1	0.4	16.3
Melbourne	5.9	3.4	0.6	0.2	10.1

Source: Centrelink payments 2000 unpublished, ABS, Estimated Resident Population by Age and Sex, unpublished, 1999

indication of the depth of the labour market problem in the Latrobe Valley. In the case of women the data show how important the extent of sole parenthood is in accounting for the relatively low labour market participation of women in these age groups. As regards men living in the Latrobe Valley, the heavy reliance on the Disability Support Pension of those who are still in the prime of life (35-44) confirms the claim made by National Economics about hidden unemployment in some regional areas. Though not shown in the tables, analysis of other locations in Victoria indicates that Disability Pension dependence levels in the Latrobe Valley are amongst the highest in the State.

## **SOCIAL IMPLICATIONS OF ECONOMIC DISADVANTAGE IN THE LATROBE VALLEY**

In the following comments the focus is on the impact of tough economic times on young people. The limited job prospects for both young men and women contribute to early school leaving and early, but insecure, family relationships. This situation is almost certainly one of the causes of the high level of sole parent households in the Latrobe Valley.

### **Education and training in the Valley**

There is a pronounced pattern of early school leaving in the Latrobe Valley. As Table 10 shows, around 50 per cent of women aged 25-34 who were living in the Latrobe Valley towns in 1996 had left school before the age of 17. Early school leaving was also evident elsewhere in regional Victoria, though not to the extent evident for Latrobe Valley residents. By comparison only 33 per cent of 25-34 year old women living in Melbourne in 1996 had left school before 17. The situation for men in this age group in the Latrobe Valley was similar.

**Table 10: Per cent who left school before age 17\* by sex, 1996**

Usual residence	Men	Women
Melbourne SD	37.6	33.3
Geelong	46.6	42.6
Metropolitan fringe	56.7	44.1
East Gippsland (S) - Bairnsdale	59.2	45.5
Wellington (S) - Sale	47.9	44.5
Latrobe (S) - Moe	57.4	52.7
Latrobe (S) - Morwell	53.8	50.3
Latrobe (S) - Traralgon	51.7	45.6
Rest of Gippsland/East Gippsland	58.7	46.2
Large centres 25,000+	51.8	44.7
Small centres 10,000+	51.5	45.3
Very small centres 5,000+	54.0	44.4
Other rural	57.3	42.9
Total **	41.4	35.9

\* Includes still at school, never attended school, left before age 17

\*\* Total includes not stated, no usual residence, off shore and migratory

Source: 1996 Census, unpublished

The situation is not improving. Education Department enrolment records show a very low retention of year 10 students to year 12 in Latrobe Valley Government schools.<sup>15</sup> (No parallel data was available for private schools). Only 62.4 per cent of Latrobe Valley Government students enrolled in year 10 in 1998 stayed on to year 12 in 2000. By comparison, 80.6 per cent of all year 10 government students in non-metropolitan Victoria and 81.7 per cent of such students in Melbourne stayed on to year 12. Furthermore, of the Latrobe Valley government students who began Year 12 in 1999, only 54.5 per cent completed the year and received an ENTER score, compared with 64.1 per cent of such students in non-metropolitan Victoria and 76.5 per cent of those in Melbourne.<sup>16</sup>

This early school leaver pattern was of less concern in the past when, at least for young men, there were abundant opportunities as apprentices or technical trainees within the SECV. In 1991 the SECV took on some 868 persons in these two categories. Since the

early 1990s such opportunities have declined sharply. The power companies in the Valley no longer accept the responsibility embraced by the SECV of training their own skilled workforce.

One of the reasons for early school leaving is the limited job opportunities in the Valley. From the juvenile point of view, why train for positions that do not exist? Another contributing factor inhibiting retention beyond year 10 in the Latrobe Valley is the substantial minority of poor families resident in the Valley. Table 11 provides one indicator of those at the very poor end of this group. Poor families are not well placed to encourage their children to stay on in the education system. The temptation for the child to leave school in order to contribute to the family income or to gain some financial independence is therefore high.

**Table 11: Number and percentage of families with children aged 0-15 who are without breadwinners, by selected locations, 1998**

	Number of families	Per cent of families				Total	Total with no breadwinner	Sole parent
		Sole parent with breadwinner	Sole parent without breadwinner	Couple with breadwinner	Couple without breadwinner			
Moe	2,334	8	20	62	10	100	30	28
Morwell	2,900	9	25	56	9	100	34	34
Traralgon	3,341	7	15	72	6	100	21	22
Reg. Victoria*	154,464	8	15	71	6	100	21	23
Melbourne	380,893	8	12	74	5	100	18	20

\* Total regional Victoria including Latrobe Valley towns

Source: Centre for Population and Urban Research, Monash University. Estimated from Centrelink family allowance data and from ABS estimated resident population data. A family without a breadwinner was defined as a couple or single parent family in which neither of the parents (or parent in the case of single parent families) received any income from paid employment.

There is a disturbingly high proportion of families with young children living in the Latrobe Valley who are without a breadwinner. It is a finding which should not surprise given that over 20 per cent of men and women in the peak family building years of 25-44 were welfare benefit recipients in the year 2000 (see Tables 8a and 8b). As can be seen, Victoria's regional areas show a higher incidence of families without breadwinners than is the case for Melbourne. The proportion of such families is particularly high in Morwell and Moe. Indeed Morwell, with 34 per cent of all families with children aged 0-15 who are without a breadwinner, vies with Maribyrnong (in west Melbourne), as the most

disadvantaged locality in Victoria on this indicator. Sole parents head most of the families without a breadwinner. Again, the incidence of such families is very high in Moe and Morwell.

### *Family building and early school leaving*

Young people who leave school early do not have much in the way of skills to offer once they enter the job market. This, plus the limited range of jobs open to them in the Valley, means that their incomes tend to be low and their prospects poor.

Paradoxically, these circumstances actually encourage the early entry into family building on the part of young women. For such women, the lack of secure employment or career opportunities means that the option of marriage and family is likely to look more enticing than is the case for their metropolitan sisters (who are better credentialed and enter a much more diverse and more buoyant labour market). One consequence is that there is a high propensity of young women in the Latrobe Valley (and other women living in Victorian regional centres) to establish early marriage or de facto relationships and to begin having children within these relationships. Unfortunately, as the evidence cited earlier on the high proportion of women aged 25-34 who are sole parent pensioners indicates, many of these relationships subsequently break down.

One major reason for the high incidence of female lone parents in the Latrobe Valley is simply that more women in the younger age groups in the Latrobe Valley are at risk. That is, they tend to marry and have children earlier than their metropolitan counterparts. This is true of other regional areas in Victoria as well. Why then, should the incidence of sole parenthood be so high in the Valley? One explanation, often encountered in the Latrobe Valley context, is that it is related to the existence of a substantial stock of public housing in the Valley. It is true that female sole parents tend to be given priority in access to public housing and that in the past some female sole parents did move to the Valley on this account. At the time of the 1996 Census there were 465 female lone parents households with at least one child aged less than 15 out of a total of 1,663 households living in public housing in the Latrobe Valley.<sup>17</sup> By national standards this 28 per cent share is relatively high.

However, there is no evidence of any significant net movement of lone parents over the 1991-1996 period. There was actually a small net loss of women who were single mothers in 1996 who left the Latrobe Valley over the years 1991-1996 relative to those who moved to the Valley from other locations in Australia.<sup>18</sup> The high concentrations of female lone parents in the Valley is attributable to 'home grown' factors.

It is likely that what sets the Valley apart from other regional areas in Victoria is the situation of their actual or prospective male partners. As indicated, since the late 1980s the job prospects for young men in the Valley have been poor. Some 20 to 25 per cent of men aged 25-34 in 1996 were unemployed or not in the labour force. Men in such situations are in no position to be good household providers, thus the likelihood of family tensions for those who attempt long term relationships. In addition, many of such men may be reluctant to take on the obligations of family life even though they are the responsible father. These circumstances go a long way to help explain the relatively high incidence of female sole parents in the Valley who have never married.

Another way of looking at the situation, which points up the great importance of female education as a contributor to sole parenthood is concerned, is to track the linkage between education level and sole parent status. Table 12 indicates the strengths of these linkages. . As noted earlier, a high proportion of young Valley women leave school before age 17 relative to their metropolitan sisters. For the reasons explored they are in the high risk group as far as sole parenthood is concerned. This expectation is confirmed in the table. Some 19.8, 24.4 and 15.8 per cent of the 25-34 year old women in this early school leaver group living in Moe, Morwell and Traralgon respectively were sole parents as of 1996. These are extraordinarily high proportions, well above the figures for the other localities listed. Just as important from the point of what might be done about the situation, these proportions are more than double those for women in the same age groups living in the same localities who left school at age 17 or later.



**Table 12: Per cent of women aged 25-34 who are lone parents by school leaving age, 1996**

Usual residence	School leaving age		Total
	< 17 *	17+	
Melbourne SD	13	5	8
Geelong	17	7	11
Metropolitan fringe	13	7	10
East Gippsland (S) – Bairnsdale	18	10	14
Wellington (S) – Sale	23	10	16
Latrobe (S) – Moe	20	12	16
Latrobe (S) – Morwell	24	12	18
Latrobe (S) – Traralgon	16	7	11
Rest of Gippsland/East Gippsland	14	7	10
Large centres 25,000+	19	9	13
Small centres 10,000+	19	8	13
Very small centres 5,000+	18	9	13
Other rural	12	6	9
Total **	14	5	8

\* Includes still at school, never attended school, left before age 17

\*\* Total includes not stated, no usual residence, off shore and migratory

Source: 1996 Census, unpublished

### **Should the Latrobe Valley community be compensated?**

The economic and social situation described in the Latrobe Valley is serious. There is a danger of perpetuating a cycle of disadvantage as poor economic prospects in the region prompt early school leaving, then early family formation and a subsequent high incidence of sole parenthood. The families in question then struggle to sustain their children through the school system.

As the various proponents of structural change (including the Commonwealth and State Governments and agencies like the Productivity Commission) have hoped, the ESI has recorded major productivity gains. From the point of view of these proponents, the privatisation of the SECV and the implementation of National Competition Policy,

leading to the establishment of the National Energy Market in 1998, have been a resounding success. However, it is clear that there have also been major costs and that in Victoria's case they have been focussed in the Latrobe Valley.

There has been much rhetoric from the proponents of structural change that the interests of the 'losers' will be taken into account. For example, the legislation accompanying National Competition Policy refers to a 'public interest' test of the outcomes of competition reforms. The implications are spelled out in the 1999 Report of the Productivity Commission on the *Impact of competition Policy Reforms on Rural and Regional Australia*. It is acknowledged that the 'public interest' includes consideration of social welfare and employment issues.<sup>19</sup>

The Productivity Commission is careful about declaring any public obligation to the losers. Its stance is that those displaced from employment should rely on Centrelink benefits.<sup>20</sup> Nevertheless it does canvass the merits of a 'specific adjustment assistance package' where 'a concentrated adjustment shock occurs rapidly and is large relative to the size of a community'. This is certainly the case for the Latrobe Valley. The Productivity Commission also notes that State Governments have been the recipients of substantial Commonwealth grants as a consequence of their participation in the National Competition Policy agreements. These funds have largely gone into consolidated revenue. Nevertheless there would seem to be a strong case for some of this money to be allocated to communities which have borne the burden of adjustment policy, according to the 'public interest' test described above. The Victorian State Government attitude to this issue is discussed shortly in the context of the outcome of its Ministerial Taskforce on the Latrobe Valley.

There is also a 'public interest' test incorporated into the 1996 Workplace Relations Act which governs judgements of the Australian Industrial Relations Commission. Several of the Latrobe Valley unions, including the CFMEU, referred to this test in their evidence before the Commission in the arbitrated case between the unions and Yallourn Energy. The Commission's decision on this case was reported in September 2001. The unions argued that the Commission should consider the 'public interest' of the wider Latrobe Valley community in reaching its decision. Their case was that, if Yallourn Energy was given greater freedom to utilise contractor labour and to set manning levels at its plant

without union agreement, this would likely result in much reduced employment levels. The 'public interest' aspect was that if manning levels are significantly reduced (as feared) this would add to the already serious economic and social crisis in the Latrobe Valley community.

The Industrial Relations Commission totally rejected this submission. Indeed it did not even address the 'public interest' issue. Yallourn Energy was given the freedom to set its own minimum manning levels. It was also permitted to implement compulsory redundancies as from 31 March 2002 and to use contractors in managing its workforce. From the Commission's point of view the key criterion guiding its judgement was productivity. It stated:

We believe that it is in the public interest to make the award in the form we have determined. If the mining operations are contracted out there will be redundancies – voluntary and possibly compulsory. However, contractors will require employees. There is nothing in the evidence to suggest that there will be a net reduction of employment in the Latrobe Valley should this occur. Even were this to be the case, we would be minded to make the award having regard to the necessity to consider how productivity might be improved.<sup>21</sup>

If these principles are applied across the various power companies in the Valley they are likely to lead to further major employment reductions.

The Victorian State Government entered this situation in late 2000 with its decision to create a Latrobe Valley Ministerial Taskforce to respond to the concerns of Valley residents. The leader of the Taskforce was John Brumby, Minister for State and Regional Development. The Report delivered by the Taskforce in June 2001 was in some ways a refreshing response to Valley residents' concerns. It acknowledged 'the regrettable economic and social dislocation endured by the community of the Latrobe Valley, and the community's sense of abandonment by State and federal Governments over the last decade'.<sup>22</sup> The Taskforce recommended the expenditure of some \$105.8 million over several years on a variety of projects within the Valley. The main ones include refurbishing the public housing stock in the region, the construction of a Latrobe Valley Justice Precinct and the provision of additional youth and health services.

However, the Taskforce did not accept the responsibility to compensate the Latrobe Valley community as implied by the 'public interest' provisions in National Competition policy legislation cited above. Nor did it acknowledge that an appropriate source of such compensation should be the federal funds it had received through National Competition Policy legislation. The Taskforce also did not address the issue of possible further loss of employment through the drive for more productivity in the ESI. It was highly supportive of any community initiatives to encourage new investment. But there was no acknowledgment that in view of the Government's complicity in the drive for further structural change that the State Government has a responsibility to compensate the community affected. This would most appropriately be done via the creation of jobs in the Valley. One way of doing so would be to transfer certain State Government administrative agencies relevant to regional Victoria to the Latrobe Valley.

## Acknowledgment

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