

SUBMISSION TO THE SENATE SELECT COMMITTEE INQUIRY INTO THE JOBS FOR THE FUTURE IN REGIONAL AUSTRALIA

The Regional Australia Institute is pleased to provide this submission in response to the Senate Select Committee's inquiry into the jobs for the future in regional Australia.

The Regional Australia Institute is an independent think tank developing policy and advocating for change to build a stronger economy and a better quality of life in regional Australia – for the benefit of all Australians.

Regional Australia is central to the Australian economy, employing approximately one third (31 percent) of all Australian workersⁱ. The nature of jobs in regional Australia, like the rest of the country and indeed the world, is changing. The ability to manage technological and labour force changes remains a challenge for workers, employers and policy makers. It is important to address precisely what recent changes in employment and technology mean for people working in Australia's regions. Inevitably, this becomes a discussion of changing skill and labour demands; how rural Australia is going to meet these demands, and what needs to be done to ensure that regional Australia thrives into the future.

This submission draws on key reports released by The Regional Australia Institute in the previous year that addresses the challenges of building a sustainable regional workforce for growth. These reports include:

- *The Future of Regional Jobs* (2019)
- *Regional Population Growth – Are We Ready? The Economics of Alternative Australian Settlement Patterns* (2019)
- *National Population Plan for Regional Australia* (2019)
- *Riding the Next Wave of Automation in Rural Australia: Safeguarding Agriculture and Rural Labour through Migration and Skills Development* (2018)

THERE ARE JOBS IN REGIONAL AUSTRALIA

There is a common perception that there are few job opportunities in regional Australia. This is a myth. In reality there are jobs available from the high to the low end of the skills spectrum.

Since 2016, internet vacancies have been growing at a faster rate in regional Australia compared to capital citiesⁱⁱ. In July 2019, there were 46,324 job vacancies outside the mainland state capitals, across a range of occupation and skill levelsⁱⁱⁱ. Most vacancies are in professional medical and engineering jobs, and in automotive and engineering trade jobs. In fact, there are signs of the reemergence of skills shortages in some regions where the number of vacancies have grown by over 30 percent in just two years.



The mix of available jobs in trades, technical and laboring occupations, alongside the steady rise in demand for professional, managerial and other service jobs reflects the national structural change towards services as the main employing industries.

A closer look at the mix of occupations in demand shows that there are similarities across the regions, with many employers seeking similar skills to fill job vacancies. In the medium term, the health care and social assistance industry is expected to require another 85,000 workers in the regions through to 2023, followed by education (32,000 workers)^{iv}. This will mean intensifying competition across the regions to secure the people that each region needs in order to grow.

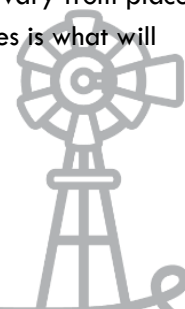
Despite the increasing job availability in regional Australia, there is continued skepticism and caution in regional Australia around the next round of digital change and what this might mean for regional jobs. Automation has been creating jobs in regional Australia as well as removing some jobs. The next wave of technology change will threaten low skilled service jobs as digital technology and apps are marketed to employers and service providers as a way of reducing their staffing costs. The extent to which regional business owners take up these technologies and pursue these cost savings, as well as the extent to which regional consumers download the apps and contribute to saving labour, remains to be seen.

The RAI has modelled the potential impact of automation on jobs for all local government areas in regional Australia^v. The modelling showed that mid-large sized regional centres are likely to be particularly affected by the expected loss of entry level service jobs to digital technologies. This will not only reduce the breadth of jobs available in these places, but will reduce availability of important starting points in the job market for young people.

This technological change has not occurred equally across all sectors. In the Agriculture, Forestry and Fishing (AFF) industry, work has altered as a result of increasing automation and overall the proportion of people employed in AFF nationally has decreased^{vi}. Certain subindustries, such as horticulture, have the opposite problem. That is, there are plenty of jobs for people to fill, but not enough local people filling them. There is a mismatch between workers and place. Consequently, migrant labour is needed to help sustain fruit and vegetable farming throughout the year and across the country.

LABOUR AND SKILLS SHORTAGES ARE HOLDING BACK INVESTMENT AND GROWTH

The problem seen clearly in many regions is that the occupation and employment requirements and developments in regions do not necessarily dovetail with opportunities, shortages in labour and the specific requirements of employers in those regions. Hence, there is often a disjunction between the supply and demand for labour at the regional level. Because employment outlooks vary from place to place for a host of reasons, remaining adaptable to any future workforce challenges is what will safeguard communities in the long run.



Not proactively building the right labour force for regional Australia's needs is a risk for Australia's national economic prosperity. This is already being felt in certain sectors across regional Australia. For example, without workers to physically pick fruit and vegetables, some crops simply cannot be harvested. Subsequently, food and economic opportunity – for farmers and the broader community within which they live – is wasted. A recent University of Adelaide survey of 330 horticultural producers in 2018 found that 40% had not been able to hire enough workers and 80 farmers had left produce unpicked as a result^{vii}. Migrant labour presents a means to maintain productivity in this industry. With improved mechanisms for matching skilled migrant labour with rural employers the chances of filling some of regional Australia's ongoing vacancies are improved.

Anecdotal evidence suggests that labour shortages are having a negative impact on investment and growth in regional Australia across a range of industries. It is important to maintain a dual emphasis on local and migrant skills development and recognition to meet present and future labour force challenges. This dual emphasis is necessary for the long-term sustainability of regional careers in the face of digital and economic transformation.

FUTURE REGIONAL JOBS WILL REQUIRE HIGH LEVELS OF SKILL

The future of jobs in regional Australia will require new skills and more highly-skilled individuals. Last week former Victorian Premier Dennis Napthine released the report of the committee he chaired looking into the engagement and outcomes for post-school education for young people from rural, regional and remote Australia. The report noted that employment at skill level 1 (Bachelor Degree or higher) is expected to increase by 10.7 percent in regional Australia over the next five years to May 2023^{viii}. This follows the trend from the previous five years with 43 percent of all new jobs in Australia from 2016 being created for professionals^{ix}.

The Napthine report shows that the current system is going backwards for these young people. The report supports the RAI's analysis that rebuilding regional learning options in both the VET (trades) and tertiary sectors is critical to the growth of regional Australia.

The review stated:

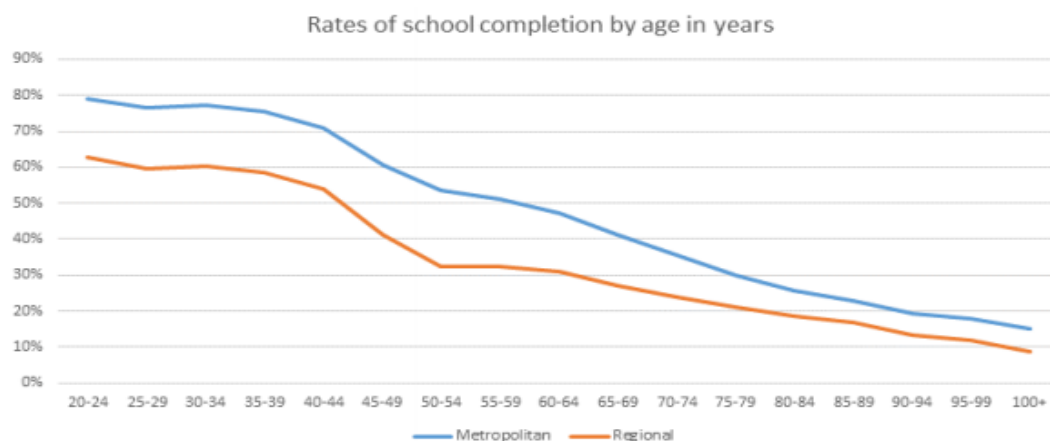
As a result of the greater academic, geographic, social and financial challenges they experience, regional, rural and remote students are much less likely to undertake and complete tertiary study. ... Rates of participation and attainment in higher-level tertiary education have been increasing across Australia in recent years. However, the rate of increase has been faster in metropolitan areas than regional areas, resulting in a widening of the disparity in attainment between metropolitan and regional areas^x.

The Federal Government has broadly accepted the Committee's seven main recommendations. This is important, as better regional skilling pathways would, over time, enable local residents to build the skills they need to enter the workforce, and continue to develop their skills through their working lives. It would position them for better jobs, in the places they already know.



People living in our regions will require an increasing level of technical skills and professional knowledge in order to take advantage of the jobs on offer in the regions. Ongoing investment in human capital through skills development right across regional Australia is crucial. This may be through formal or informal learning done ‘on the job’, at home or in a dedicated educational setting. Investment in skills development will help ensure that rural employers are able to fill both high and low skill jobs locally, and that people in regional communities are adaptable to the changing nature of work – whatever their industry – so they can remain competitive for employment in the broader economy.

Currently, human capital gaps continue to exist between metropolitan and regional Australia. The general picture drawn from ABS Census data is well known – the further a place is from a capital city, the poorer its rates on human capital measures, though in many regions there are higher shares of people with VET qualifications than in cities. But beyond this general picture, once we look at the levels of these human capital elements by age group, and look in more detail over time, it is clear that some regions are performing remarkably well while others are falling further behind^{xi}. There is a clear trend that the younger you are, even if you live in regional Australia, the more likely you are to have completed year 12. Nevertheless, the gap in year 12 completion rates between regional and metropolitan age groups is persisting^{xii}.



Some regions have seen big increases in key measures like Year 12 completions. These regions have devised and resourced initiatives themselves that contribute to this increase^{xiii}.

Regional VET institutions are key players in promoting regional development. Such activity includes addressing skills shortages, replacement workforce, developing ways to assist displaced and disadvantaged workers, and seeking to promote the entry of young people into the labour market. Improving access, equity and support for regional students to attain VET and Tertiary qualifications is vital for regional Australia to not only meet current labour shortages but to drive regional prosperity and address social and economic change.



Improved human capital measures in regional Australia requires a policy approach which addresses the diversity and specific contexts of regional places. Aligning skill supply with skill demand requires proactive and innovative education and training practices that involve a wide range of participants such as employers, young people, educators, trainers, older job seekers and even families and communities more broadly. It requires that regional development actors and agencies assist with regeneration and job stimulus. The more inclusive, systematic approach to targeted skills development needs to monitor and forecast trends within the labour market, the education and training market, as well as how skills are being used and sourced. This approach facilitates interventions and policy recommendations to take into account both the aspirations of workers and the potential and actual employment prospects arising in local industry. The Regional Australia Institute advocates for this inclusive partnership approach to addressing the future of jobs in our regional towns and cities.

LINKING INDUSTRY, EDUCATION AND POTENTIAL EMPLOYEES

There is a need for local training to meet local needs. Links need to be established and maintained between what industry needs, what education providers have the capacity to provide and the requirements of potential employees. This needs to happen at the level of local communities. Needs-based training to match local jobs should involve consultation between local universities, vocational education and training providers, industry groups and businesses.

This underlines the importance of understanding not just the needs and aspirations of employers but the skills and aspirations of workers in a situation where jobs can disappear, drastically reduce or change significantly. It is thus important to engage workers and their communities who are likely to be affected by changes in the regional economy in the process of planning for the future. Such an approach will result in a comprehensive and focused analysis of the skills needs of industry alongside the capacity of the education and training sector.

The impact of locally led approaches to addressing future workforce demands in regional areas is becoming evident in the disabilities sector. The rollout of the NDIS has posed unique challenges in some parts of regional Australia where attracting and retaining this workforce has been difficult for some time. The Regional Australia Institute is currently conducting research into this sector and finding examples of locally-led initiatives to embrace the opportunities presented by the scheme while attempting to increase local capacity and facilitate business collaboration to alleviate thin market issues. The success of these place-based programs depends on local leadership brokering connections between skills development, people living with disabilities and community members^{xiv}.

Building a sustainable workforce in regional Australia requires a multi-faceted approach that reflects the activities of participants such as employers, young people, educators, trainers, older job seekers and families and communities who often set the 'tone' for regional labour market participation. This approach underpins the development of an education and training led model of business growth and jobs creation.



LIVEABILITY IS A KEY INGREDIENT

In order to attract and retain long-term skilled workforces, local town planning should focus on making places attractive and increasing 'liveability' through housing, sports and recreation facilities and public spaces. In improving liveability and attracting and retaining a skilled workforce, it is important to consider employees as members of wider family units. This means ensuring childcare is affordable and available, that there are jobs for spouses, and that there are facilities and activities for after working hours.

Building 'liveable' communities will be increasingly important for addressing the future of work in regional Australia. With skilled and professional workers growing in demand across the country, places will be increasingly in competition with each other for this workforce. The Regional Australia Institute is currently conducting research into the relationship between liveability and mobility in regional Australia and we anticipate the importance of this notion within future of jobs policy and practitioner discussions to continue to gather momentum as towns and regional cities vie for the workers their places need to grow into the future.

CONCLUSION

Addressing jobs for the future of regional Australia is a multifaceted challenge, but one within which systematic responses at the state and national level can lead to significant improvement when well designed and targeted. Beneath the need for systemic responses, examples from communities around Australia demonstrate that local responses to these challenges can have large impacts on regional Australian towns and their communities.

RECOMMENDATIONS

- Review the role of the VET sector and improve accessibility to post-school and ongoing training and provide support and recognition for alternative pathways and qualifications
- Embrace the role of migrant workers in addressing rural labour shortages and increase temporary and permanent migration using locally-led strategies
- Encourage and incentivize the role that industry can play in proactively working with local communities to identify potential future skills gaps and work collaboratively towards implementing solutions
- Emphasise and recognize the importance of liveability for building long-term, sustainable regional workforces into the future.



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- ⁱ Department of Employment (2017). Australian Jobs 2017. Available at: <https://docs.employment.gov.au/system/files/doc/other/australianjobs2017.pdf>
- ⁱⁱ Houghton, K. (2019). *The Future of Regional Jobs*. The Regional Australia Institute: Canberra
- ⁱⁱⁱ See The Regional Australia Institute's *Regional Job Vacancies Map* which uses data from the Federal Government's Internet Vacancy Index (IVI) released monthly by the Department of Jobs and Small Business. Access at: <http://www.regionalaustralia.org.au/home/regional-jobs-vacancy-map/>
- ^{iv} The Regional Australia Institute (2019). *Healthy Check Up*. RAI: Canberra
- ^v An interactive mapping tool presenting the findings of this is available here www.regionalaustralia.org.au/home/regional-job-automation-pack/
- ^{vi} The Regional Australia Institute (2018). *Riding the next wave of automation in rural Australia: Safeguarding agriculture and rural labour markets through migrant work and skills development*. RAI: Canberra.
- ^{vii} Howe, J. M., Cibborn, S., Reilly, A., van den Broek, D., & Wright, C. F. (2019). *Towards a Durable Future: Tackling Labour Challenges in the Australian Horticulture Industry*.
- ^{viii} Napthine, D. (2019). *National Regional and Remote Tertiary Education Strategy: Final Paper*. The Commonwealth Department of Education and Training: Canberra.
- ^{ix} Houghton, K. (2019). *The Future of Regional Jobs*. RAI: Canberra.
- ^x Napthine, D. (2019). *National Regional and Remote Tertiary Education Strategy: Final Paper*. The Commonwealth Department of Education and Training: Canberra.
- ^{xi} Ibid.
- ^{xii} Ibid.
- ^{xiii} For examples of these initiatives, see Houghton, K. (2019). *The Future of Regional Jobs*. RAI: Canberra.
- ^{xiv} Regional Australia Institute (2019). *Submission to the Department of Social Security Thin Markets Review*. RAI: Canberra.

