

# Joint Select Committee on Northern Australia

## Public Hearing: Written Questions

In addressing the Territory's workforce gaps, there are two clear issues experienced by all levels of Government and businesses in the Territory, these are workforce development and workforce attraction.

Workforce development is the process of skilling or upskilling the Territory's existing human capital base, and as well as reducing barriers to employment for those cohorts experiencing lower participation rates including increasing opportunities for education in existing skills gaps. Scale and remoteness factors can mean cost to develop the workforce in the Territory are relatively high on a per participant basis.

Workforce attraction is the ability to identify, attract and retain skilled workers to support the Territory's economic development.

Retention is an issue for both development and attraction activities and is compounded by the seasonal nature of some of the Territory's key employing industries and the 'boom and bust' nature of the Territory economy.

While the Written Questions largely refer to "workforce development", both attraction and development are covered in this response.

**1(a) What differences do you see across the regions in your jurisdictions in terms of workforce development challenges?**

Not surprisingly the larger population centres in the Territory have broader and deeper economies and labour markets than small communities, and this is felt across all industries and occupations. Different population size also creates scale issues in terms of the local delivery of training services, which is typically only feasible in the larger population centres. Generally, the smaller the community, the greater the workforce development challenges from a delivery perspective, and also from a social amenity/liveability perspective (e.g. services availability, digital connectivity, access (road and air transport networks and availability, cost of living etc).

**1(b) Which sectors are experiencing the most challenges in attracting and retaining staff?**

The Territory experiences challenges attracting and retaining staff across all industries and occupations from low to highly skilled, and across the public and private sectors.

The Territory's unemployment rate tends to be below the national rate while the participation rate tends to be well above the national rate. That said, regional and remote areas tend to face disproportionately high unemployment, low participation rates and structural barriers to employment, particularly experienced by the Aboriginal and youth populations, living in regional and remote communities.

Aboriginal Territorians, young Territorians and those experiencing long-term unemployment are a potential source of labour in the current tight labour market, noting they are more likely to require intense wrap-around support in-training and on-and-off the job.

**2(a) Historically what were the biggest challenges for workforce development in the north, and how do these compare to the challenges today?**

There are a number of continuing challenges across workforce development in the Territory, which have arguably been exacerbated by high costs of living and post-COVID-19. These include:

- *Education and Training:* lack of foundation skills such as language, literacy, numeracy, digital and job readiness impede opportunities for employment or further education.

The diversity and number of languages other than English spoken at home. Other than the more than 100 Australian Indigenous Languages spoken, there are over eighty foreign languages other than English which are used in households across the Territory.

The cost of delivering training in remote communities is high and the number of students that attend is unpredictable. These factors limit the number of registered training organisations (RTO) willing to deliver services in remote locations. For example, the Territory Government pays a much higher rate to RTOs to deliver training remotely.

- *Connectivity:* Digital connectivity is a problem in regional and remote areas, impacting access to all government and online services, including education and health care services.
- *Workforce Retention:* The Territory has Australia's most transient population, as often people come to work for short term periods (e.g. one to two years). In many cases workers in specialised fields are engaged on a fly-in, fly-out basis.
- *Public Perceptions:* High housing, transport and childcare costs are real and do impact the ability to attract and retain skilled workers. That said, there is often exaggerated perception of the scale of these issues by people living in other parts of Australia (i.e. a focus on the negative, with little reference to the 'opportunities' the Territory has to offer).

**2(b) How were these challenges previously addressed by governments?**

There are many positive steps that have been made over time, including joint Government funding agreements such as the National Partnership Agreement on Remote Aboriginal Investment and National Partnership Agreement on Remote Housing Northern Territory, but significant challenges remain.

The Territory Government has offered various programs and policies over time to address workforce development in the Territory. These initiatives have focused on addressing workforce shortages, particularly around encouraging people to move to the Territory.

In 2018, the Welcome to the Territory program committed \$19 million over seven years to assist businesses in attracting workers into hard to fill jobs on the high priority occupation list. The program set out to attract 2,600 people to the Territory within two years and retain them for at least five years.

The Welcome to the Territory incentives included a relocation bonus of up to \$8,000 for families to migrate; a local spending incentive of two \$625 payments to spend with local merchants for goods and services; and a five-year retention bonus for cash payment to eligible applicants after five years continuous residence (to be spent locally). Despite the significant cash incentives there was limited take up of this policy initiative.

On 1 January 2019, the bilateral agreement between the Territory and Australia Government for the first Designated Area Migration Agreement (DAMA) came into effect to support international inbound migration of skilled workers. However, the Australian Government's expansion of the policy – there are

now 12 DAMA's in place – has created significant competition across the jurisdictions and diluted the impact of the policy in the Territory, by making it harder to attract international workers to regional and remote areas that have great difficulty attracting labour from the Australian market.

Similarly, the Pacific Australia Labour Mobility (PALM) scheme allows Australian businesses to hire unskilled, low-skilled and semi-skilled workers from nine Pacific Island countries and Timor-Leste for up to four years in all regional and remote postcodes, except for agriculture which applies to all of Australia. The Territory Government strongly supports the DAMA and PALM initiatives.

The Territory's 2020-21 Budget included the Jobs First Plan, delivering an initial \$377 million of initiatives to support small businesses, jobs and the economy to recover from the impacts of COVID-19. In May 2021, the Territory also launched the *Work Stay and Play* worker attraction incentive program and a \$2 million Critical Worker Support Package to boost skills and job opportunities for Territorians, and attract additional workers to the Territory, or encourage visitors to stay for work in the tourism and hospitality sector which was struggling to find workers due to COVID-19 travel restrictions which impacted seasonal workers, international students and working holiday makers. The incentive offered a one-off payment of up to \$1500 to reimburse costs such as airfares, transport and accommodation associated with moving to the Territory for work. By October 2021, the program had supported local businesses in attracting over 400 workers and was extended until the end of the year, and expanded to support employers in the agriculture and aged care sectors.

**3(a) What makes people in your jurisdiction want to live in Northern Australia?**

Each region attracts different people with different motives but, overall, lifestyle, jobs and career opportunities are consistent drivers:

- Darwin: weather stands out compared to other areas, also driven by beautiful surrounds, lifestyle and cost of living which is a lifestyle enabler;
- Alice Springs: beautiful surroundings and being closer to nature or in a rural area are key;
- Katherine: rural appeal and more likely to be seeking better salary package/remuneration.

**3(b) What government incentives could encourage people to live in Northern Australia?**

Previous incentives have focused on cash reimbursements for interstate workers relocating to the Territory, though it is recognised that improving social infrastructure and access to services such as childcare, aged and disability care, health services, digital connectivity, housing availability and transport costs are critically important to improving the Territory's capacity to attract and retain workers. This is particularly the case in regional and remote communities where access to social infrastructure and digital connectivity is less developed than in urban centres.

Historically, these factors have been mitigated by wage premiums, salary package incentives and remote zone tax offsets (ZTO), but the relative size and impact of these premiums has eroded over time, and now have minimal impact on relocation decisions.

Current incentives such as the ZTO and regional area allowance schemes are low and have become ineffective in meeting their policy intent, and warrant review if they are to have an impact on decision making 'at the margin'. This is because, in the absence of indexing, the value incentives has decreased significantly over time, and have not increased since 1993. The ZTO now represents less than 1% of after-tax income for more than 80% of claimants, and is not sufficient to incentivise changed behaviours to attract people to live and work in regional and remote areas. The Australian Government has the policy

levers to contemporise the ZTO and set it at rates sufficient to support the decision making processes of workers and encourage worker relocation within Australia.

Another innovative approach to incentivise migration, improve liveability, develop the local workforce and enhance the competitiveness could be through introducing a scheme similar to the Tasmanian Freight Equalisation Scheme, to reduce business input costs and improve connectivity across the regions.

**4. How do levels of government currently collaborate to address issues in Northern Australia, and how can collaboration and coordination be improved?**

Development of the Territory and broader Northern Australia can be accelerated by cross-jurisdictional coordination on policies and investments that progress shared economic and strategic goals such as through the Northern Australia Ministerial Forum (NAMF), the Northern Australia Infrastructure Fund (NAIF) and the Cooperative Research Centre for Developing Northern Australia (CRCNA).

Following the 2022 Australian election, the Minister for Northern Australia, the Hon Madeleine King MP, re-established the Northern Australia Ministerial Forum (Forum) to support sustainable and resilient economic development in Northern Australia. The Forum's role is to facilitate a pan-northern approach to identify and progress shared priorities.

At its first meeting in October 2022, the Forum agreed to a collaborative approach between governments to create liveable, safe, sustainable and healthy communities in the north focused on developing human capital, investing to grow the stock of enabling infrastructure and, focussing on economic development and diversification opportunities. In doing so, the Forum agreed to refresh the Our North, Our Future: White Paper on Developing Northern Australia to inform a program of joint actions to progress the priorities. The Forum also agreed to regularly engage local governments across the north to reiterate a strong commitment and ensure a cohesive program to developing the north.

**5. What policies do you have in place to address workforce issues in Northern Australia, and how will these be evaluated in terms of effectiveness and whether they are fit-for-purpose?**

The Territory Government has committed \$92 million to the Skilling the Territory Investment Plan 2022-23 to grow and develop a skilled workforce through investing in training programs and initiatives, and through targeted attraction actions. The investment plan includes:

- \$28.2 million to support apprenticeships and traineeships, including to support Registered Training Organisations (RTO) to train and assess apprentices and trainees;
- \$12.7 million to deliver targeted and responsive programs, to support Territory employers to upskill or reskill existing workers in occupations and industry sectors effected by change;
- \$2.5 million to fill critical skill shortages across the Territory which includes the Flexible Workforce Solutions Fund and Global Worker Attraction Program;
- \$3.2 million to strengthen industry engagement and advice; and
- \$55.5 million for public providers including Charles Darwin University and Batchelor Institute.

This funding is being used to increase employment opportunities for young Territorians in disadvantaged groups and to deliver training to create a local workforce to deliver housing repairs and maintenance in communities.

The Investment Plan has supported:

- through the Flexible Workforce Solutions Fund, a delegation of Territory businesses to travel to the Philippines and India to recruit construction and other critical workers across the economy; and
- through the Global Worker Attraction Program, a delegation of Territory businesses to travel to the United Kingdom and Ireland to recruit 100 hospitality workers.

The Territory Government have also introduced a number of other policies and initiatives such as a \$12.8 million 'workforce boost' package to fill critical skills shortages across the Territory.

**6(a) What level of consultation and co-design do you currently have in place for policies affecting people in Northern Australia?**

The Territory Government is committed to consultation and co-design with Territorians, local business and industry. The Territory works with all tiers of Government, including inter-jurisdictionally to consult on best practice, co-design and implementation of international model regulation and to develop strategies, policies and programs.

Examples of engagement is through the Territory Government's inter-departmental working groups and boards and committees which include community stakeholders across industries, from both the private and community services sectors, such as unions and non-Government organisations. Public consultation in the Territory generally consists of a number of mixed media platforms and across a broad intersection of affected stakeholders such as the online 'Have Your Say' platform, utilised for public consultation. Further, the Department of Industry, Tourism and Trade in particular are an important conduit to stakeholders in considering the policy affects to Government and outcomes for business and industry.

**6(b) How are you working with remote communities and Aboriginal and Torres Strait Islander communities?**

It is clear a 'one-size fits all' approach to empowering and upskilling Aboriginal community outcomes is not appropriate. All levels of government need to develop policies, and commit adequate resources, to invest in the coordinated delivery of services to drive economic, employment and social outcomes that recognise diverse cultural values and the aspirations of Aboriginal communities.

Outside of traditional government models of policy consultation, design and implementation, in August 2018, the Territory Government endorsed the Local Decision Making (LDM) Policy. The Policy is a 10 year roadmap to transfer government service delivery to Aboriginal Territorians and organisations.

The Territory Government is committed to working with Aboriginal Community Controlled Organisations and groups interested in exploring LDM opportunities. Where communities indicate an interest in developing an agreement, the Territory Government and Aboriginal communities work together to develop strategies and practices that meet the requirements of the community.

There are currently 11 LDM agreements and a further 22 LDM agreements in development and/or pre-establishment stages; and two implementation plans to shortly be signed and endorsed. Existing agreements cover a number of priorities not limited to leadership and governance; housing and infrastructure; economic development; education; training and jobs; culture; health and wellbeing; and community safety and resilience.

**7. What are the main issues your government is focused on addressing in Northern Australia, and what initiatives and policies do you have in place (or have you implemented) to address these issues?**

The Territory Government has a goal to create a \$40 billion economy by 2030. It is estimated that to achieve this goal will require 35,000 new jobs and a population of 300,000.

The Territory's labour market has minimal excess capacity to fill both skilled and unskilled jobs, requiring improved workforce attraction and retention in urban areas and greater education and wrap around services to strengthen participation rates of Aboriginal Territorians in rural areas. As discussed above, the Territory is developing, implementing and funding policies to meet its long term, strategic goals.

**8. What can the Australian Government do better to address issues with workforce development in Northern Australia?**

To deliver improved economic and social outcomes the Territory requires policies which address population growth through tailored migration programs and, focus on the aspirations of Aboriginal Territorians. The Territory's Department of Industry, Tourism and Trade recommends the following to improve workforce development outcomes for the Territory and across Northern Australia:

- greater consideration of the intersections of complex social, demographic and cultural factors when collecting and analysing data to better understand their impacts on labour market outcomes;
- increased focus on whole-of-life outcomes and generational change in the Territory's remote areas, including improving education, housing and economic opportunities;
- consistency of approach between all tiers of government such that all policies, programs and initiatives work cohesively and not in competition;
- there is significant room for improvement in the funding of services to remote areas to drive outcomes (Productivity Commission 2020), including:
  - ensuring funding is needs-based and strategic, rather than population-share;
  - ensuring consideration for the advancement of Aboriginal and Torres Strait Islander peoples when negotiating and developing national agendas and funding agreements;
  - providing long-term flexible funding agreements with adequate indexation to ensure service providers have the security of tenure to meet needs and deliver outcomes;
  - allowing sufficient time for community involvement in the design of funding agreements; and
  - ensuring renegotiation of expiring agreements commences early; and
- collaboration of training and employment service providers to reduce duplication and provide seamless pathways into employment with job-related training and mentoring.

**9(a) How are your governments encouraging internal migration to Northern Australia?**

Due to workforce shortages across Australia, the Territory Government has been largely focused on international migration to fill skilled and unskilled labour shortages. In support of international and domestic migration, the Territory advertises itself as a great place to migrate for work, but also to migrate for business, given low market concentration. In increasing liveability, reducing cost of living pressures and overall highlighting the Territory as a great place for internal migration, the Territory Government has been advertising a rental subsidy scheme for workers in a key service industry and also a home owner assistance scheme to provide financial help to build or buy a property in the Territory.

**9(b) What policy initiatives would you suggest the Australian Government consider implementing to support state initiatives designed to encourage internal migration to Northern Australia?**

As discussed in the response to Question 5, the Territory Government has implemented policies and initiatives to encourage internal migration. To support these initiatives, the Australian Government could

consider implementing targeted skilled migration programs, investment in education and training, infrastructure investment, and regional relocation incentives.

To further encourage internal migration to Northern Australia, the Australian Government could consider the following policy initiatives:

- *Investment in Higher-education:* The Australian Government could further invest in education to support the development of a skilled workforce in the Territory. These programs could provide opportunities for local residents to undertake higher education and attract professionals from other regions to study and work in the Territory through the contribution or assistance in paying Higher Education Loan Program debts. This could also entice skilled migrants to stay in regional areas. This is supported by 'work' being the main factor influencing the decision to leave the Territory<sup>1</sup>;
- *Infrastructure investment:* The Australian Government should continue to invest in large infrastructure projects in the Territory, specifically creating greater connectivity through roads, to support economic growth and job creation in the region. There should be a mechanism developed to ensure that the Territory continues to be able to access a fair portion of the Australian Government's \$120 billion per annum infrastructure spend, and should take into account Northern Australia's infrastructure deficit;
- *Targeted regional skilled migration programs:* The Australian Government could implement targeted skilled migration programs to attract skilled workers to remote areas such as the Territory. These programs could provide streamlined visa pathways and incentives for skilled workers to work and live in the region. It is important to note that under migration legislation the whole of the Northern Territory is classified as 'Category 3 – Regional Centres and Other Regional Areas'. This was part of the expanded definition of Regional Australia legislated by the Australian Government in 2019. Greater concessions for Category 3 regions would assist to attract international migrants to the Territory.

## 10. What are the three biggest challenges impacting workforce development in Northern Australia?

The biggest issues impacting workforce development in the Territory are: labour supply; liveability; and 'closing the gap' with respect to First Nations employment outcomes.

In the short term a big issue is labour supply. That is, how does the Territory get the labour and skills it needs right now, given that training and skilling labour can takes years? How does the Territory encourage international and interstate workers to relocate? Jobs that pay well, affordable housing and high levels of social amenity, social infrastructure and social and recreational choice are key to attracting and retaining workers in the short term.

In the short, medium and longer term liveability is a major issues, and relates to access to housing, education, childcare, health care and other social infrastructure. Improving the Territory's liveability is critical in supporting residents to permanently migrate to the Territory. Delivery and improvement of services supports whole-of-life outcomes, which offers the "wraparound" support at every stage of a person and their family's lives. This would allow for more intergenerational migration to the Territory. Included in liveability is limited access to and the high cost of travel to and from Northern Australia, which increases the cost of living.

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<sup>1</sup> Taylor, A., Carson, D. (2017). Synthesising Northern Territory population research: A report to the Northern Territory Department of Chief Minister. Northern Institute, Charles Darwin University. (p. 30).

Also, in the short, medium and longer term the Territory and Australian governments' should work collaboratively with First Nations communities to improve participation and employment outcomes, particularly in regional and remote areas. There are almost 18,000 First Nations people in the Territory registered with the Community Development Program (CDP) – which is administered by the National Indigenous Australians Agency. CDP aims to support job seekers in remote Australia to build skills, address barriers to employment and contribute to their communities through activities and training. The Australian Government has an election commitment to replace CDP with a new program which will be developed in partnership with First Nations people.

Research suggests that that 'closing the gap' in employment in the Territory could increase real economic output significantly.

**11. Which portfolios/policy areas do you consider are in most need of reform to address the challenges in workforce development in Northern Australia?**

Access to labour is an ongoing issue for the Territory. Historically higher wages have encouraged interstate migration to the Territory, though this has been eroded overtime and contributed to a greater reliance on overseas migration to fill skilled, semi-skilled and low-skilled jobs. DAMA policy settings could be revised to improve incentives for migrants to move to, and stay in, regional and remote areas to address labour shortages. The Territory Government will look to prosecute this through negotiations with the Australian Government (the current agreement expires December 2023).

Australian Government incentives to encourage labour mobility into hard to recruit to areas could support the efficient function of labour markets. Traditionally the Territory's unemployment rate is well below the national rate. This reflects many factors (e.g. the project-based and seasonal nature of employment in Territory, the mobility of the workforce, the high cost of living and renting) and means that, relative to the rest of Australia, there is limited excess capacity in the labour market to quickly respond quickly to short-term and longer-term changes in economic conditions. This has economic costs for the Territory. Encouraging underutilised workers in the national labour market (i.e. the unemployed and the under employed) to re-locate to areas of higher demand would support employment outcomes and potentially reduce welfare payments.

Encouraging labour mobility must be supported by investments to improve the liveability of communities in Northern Australia to complement attraction efforts. This includes improving access to housing (for purchase and rental) and social infrastructure such as education, health, entertainment and recreational services as well as digital and transport infrastructure and services to support both economic and social amenity.

**12. Which industries predominantly employ people in Northern Australia in your jurisdiction?**

In 2021 the two largest employing industries in the Territory were Public Administration & Safety, and Health Care & Social Assistance which, combined accounted for 33% of all employment (see Table 1). Nationally, Health Care & Social Assistance and Retail Trade are the largest employing industries, accounting for almost 25% of employment. Construction and Education & Training are other major employing industries in both the Territory and Australia.

Table 1: Employment by Industry – 2021 Census

Industry	Northern Territory		Australia	
	Number	% of employment	Number	% of employment
Accommodation & Food Services	7,909	7.4	783,737	6.5
Administrative & Support Services	3,142	2.9	388,432	3.2
Agriculture, Forestry & Fishing	2,448	2.3	282,227	2.3
Arts & Recreation Services	2,457	2.3	188,479	1.6
Construction	8,598	8.0	1,067,645	8.9
Education & Training	10,038	9.4	1,061,320	8.8
Electricity, Gas, Water & Waste Services	1,600	1.5	134,368	1.1
Financial & Insurance Services	992	0.9	445,121	3.7
Health Care & Social Assistance	15,947	14.9	1,751,717	14.5
Information Media & Telecomm.	772	0.7	166,872	1.4
Manufacturing	2,405	2.2	714,759	5.9
Mining	2,612	2.4	214,759	1.8
Other Services	4,167	3.9	435,459	3.6
Professional, Scientific & Tech. Services	5,195	4.9	945,094	7.8
Public Administration & Safety	19,442	18.2	797,031	6.6
Rental, Hiring & Real Estate Services	1,205	1.1	187,621	1.6
Retail Trade	7,736	7.2	1,099,617	9.1
Transport, Postal & Warehousing	4,306	4.0	546,364	4.5
Wholesale Trade	1,611	1.5	311,863	2.6
Inadequately described/ Not stated	4,455	4.2	526,932	4.4
<b>Total</b>	<b>107,035</b>		<b>12,049,410</b>	

13. How do problems in workforce development in Northern Australia reflect Australia-wide issues and how are they unique to Northern Australia?

The closure of Australia's borders during COVID-19 had a profound impact on the Australian labour market, and contributed to ongoing labour shortages across a broad range of occupations and skill levels. All industries and regions are feeling the impacts of labour shortages, but have differing capacities to respond. Short term responses to increase the supply of labour include increasing the migrant intake (and jurisdictions actively seeking overseas labour) and encouraging new workers into the labour force (e.g. disengaged and older workers). Longer term responses revolve around developing appropriate and responsive policies that address future skills requirements. These issues are faced by the Australian, jurisdictional governments, as well as local governments and businesses.

Some issues are exacerbated in regional and remote areas, including Northern Australia, such as:

- the cost of delivering training in thin markets, including the on-going mentoring support required for a high number of trainees in regional and remote areas;
- limited availability of employers in regional/remote areas able to employ trainees;
- high mobility in urban markets increases the risk of not governments and business not generating a 'return on investment';
- the impact of intergenerational unemployment and lack of role models and mentors to demonstrate a paid work culture, and limited knowledge of possibilities that exist outside community;
- low or no network and telecommunications connectivity restricts service delivery options (of the 45,000 people who live in remote communities in the Territory up to 10,000 have poor or no access to internet/phone services and many more have limited capacity to pay for access);
- housing shortages and high rental costs impact the ability to attract and retain skilled workers;
- Territorians who live remotely generally have little or no access to childcare, creating a barrier to involvement in paid employment or training;
- limited access to or choice regarding the delivery of social services (e.g. health and education), as well as social amenity and recreation options; and
- the dilution over time of the wage premium that in the past has been an incentive to work and live remotely.

Territorians who live remotely generally have little or no access to childcare creating a barrier to their involvement in paid employment or training.

**14. Which industries and sectors do you consider have the potential to create lasting employment and long-term, local economic benefits for the north?**

The Territory Economic Reconstruction Commission's final report identified the mining and energy; manufacturing; national security and defence; tourism and agribusiness sectors as the largest contributors to drive industry growth in the Territory.

The final report also stressed the need for constant uptake of technological innovation, digitisation and sustainability technologies is essential to secure diversified and sustainable economic development. New and emerging industry opportunities include advanced manufacturing; renewables – as an energy source and storage technologies, including hydrogen production); decarbonisation; space; and the maritime industry.

The Territory is developing each of these sectors through, for example, its space strategy; planning and development of the Middle Arm Sustainable Development Precinct; and expansion of the Top End's water capabilities through the Darwin Regional Water Supply Program (Manton Dam return to service and Adelaide River Off stream Water Storage) for greater agribusiness development.