

**SENATE STANDING COMMITTEE ON
EDUCATION, EMPLOYMENT AND WORKPLACE RELATIONS**

**QUESTIONS ON NOTICE
SUPPLEMENTARY ESTIMATES 2009-10**

Outcome/Agency **4**

DEEWR Question No. **EW454_10**

Senator Cash provided this question in writing.

Question

The selection of the Priority Employment Areas

Regarding the 20 Priority Employment Areas, for each area please provide:
the reason the area was included as a Priority Employment Area
explain how the boundaries were determined
explain how the postcodes were selected
explain how the Local Government Areas were selected

Answer

Information related to the selection of the 20 Priority Employment Areas is set out in three sections below:

1. Process of selecting the 20 Priority Employment Areas
2. Methodology
3. The 20 Priority Employment Areas
4. Key labour market data

1. Process of selecting the 20 Priority Employment Areas

The selection of the Priority Employment Areas developed over several months of data releases and analysis. Preliminary analysis of regional labour market disadvantage and the identification of areas most vulnerable to future and present unemployment commenced in late 2008 and was progressively refined up until June 2009. The Department commenced its analysis in the light of lessons learned from past recessions in which some regions were affected more significantly than others.

The Department compiled an initial list of 20 possible Priority Employment Areas, which was provided to Government in February 2009. It was noted at the time that the Department would keep a watching brief over coming months to ensure that the areas most affected by the recession had been captured. Subsequent to the initial list, the final list of 20 Priority Employment Areas was compiled incorporating more up-to-date data releases.

The Prime Minister announced the first seven Priority Employment Areas on 5 April 2009. This staged rollout of the strategy ensured successful implementation, including capacity to immediately resource the initiative until more permanent arrangements could be made. The Prime Minister then announced two further Priority Employment Areas on 28 May 2009.

The final table of 20 Priority Employment Areas was provided to Government on 17 June 2009 which included the 11 additional Priority Employment Areas. These were signed off by

the Deputy Prime Minister and were announced in the *Keep Australia Working* interim report in mid July 2009.

The selection of the Priority Employment Areas was based on the methodology described in Section 2.

The Department consulted with the Department of the Prime Minister and Cabinet (PM&C) in late January/early February regarding the methodology for determining the areas in most need.

Following the *Keep Australia Working* forum in Cairns on 25 September, the Minister for Employment Participation agreed that the Indigenous community of Yarrabah and the Tablelands region should be included in the Cairns Priority Employment Area and the Palm Island Local Government Area be included in the Townsville Thuringowa Priority Employment Area.

Neither the Prime Minister, the Ministers, Parliamentary Secretaries or their offices, nor PM&C, were involved in the determination of the boundaries of the Priority Employment Areas, with the exception of the inclusion of Yarrabah and the Tablelands region and Palm Island Local Government Area as noted above.

2. Methodology

The identification of the Priority Employment Areas, and the Local Government Areas (LGAs) that comprise them, was based on an in-depth analysis of various labour market indicators, a combination of which increase a region's likelihood of experiencing labour market disadvantage now or in the future. As such, the methodology sought to especially target 'at risk' regions. As part of this process, weight was given to a range of characteristics and/or criteria, which are powerful determinants of current and future labour market performance, including:

1. High unemployment rate: (those regions that already face high levels of labour market disadvantage may be recording a high unemployment rate and/or poor employment growth/participation rates);
2. Pick-up in unemployment beneficiaries since the start of the global recession: (those regions displaying a notable pick-up in unemployment beneficiary numbers during the global recession and which may be 'at risk' of employment losses and increases in unemployment as the slowdown takes full effect);
3. Proportion of population on income support: (those regions that already have a high proportion of their population on Centrelink income support);
4. Low educational attainment: (those regions whose population has poor educational attainment levels/low skills); and
5. Industry structure: (those regions with a high concentration of industries that are likely to exhibit/or are exhibiting a significant decrease in employment (or rise in unemployment) due to the global recession (e.g. those with high concentrations of manufacturing and financial and insurance services, to cite two examples).

Other factors taken into account included the region's performance in previous economic downturns. For example, if a region experienced entrenched labour market disadvantage or a marked deterioration in regional labour market conditions during previous slowdowns it is more likely, all else being equal, to deteriorate in the current downturn. Local intelligence, where available, was also used to supplement the wide range of statistical data analysed.

Feasible travelling distances for Local Employment Coordinators and reasonable concentrations of unemployed people were also considered.

In addition, in order to ensure an equitable spread of assistance, Priority Employment Areas were initially selected for each of the States, with two in New South Wales reflecting this State's larger population and higher unemployment rate.

3. The 20 Priority Employment Areas

The following summaries highlight the reasons why each of the 20 Priority Employment Areas was chosen.

- Please note that the labour market indicators referred to in this analysis (with the exception of industry employment, educational attainment and unemployment beneficiaries data) are based on the ABS data for the LFR, or combination of LFRs, that best approximate the Priority Employment Areas to enable an analysis of labour market developments that have occurred since the global recession.
- Please also note that any data for Australia provided below are comparable with data at the regional level and may not match the figures commonly reported in the media. For instance, while the *seasonally adjusted* unemployment rate for Australia stood at 5.5 per cent in April 2009, the national figure of 5.9 per cent provided below is in three month average *original* terms to enable valid comparisons to be made with the data at the regional level.

Canterbury-Bankstown and South Western Sydney (New South Wales)

The unemployment rate in Canterbury-Bankstown and South Western Sydney increased by 2.1 percentage points since September 2008 to stand at 8.8 per cent in April 2009, 2.1 percentage points higher than the New South Wales average. It is also worth noting that manufacturing comprises 15.0 per cent of total employment in the region, an industry hard-hit by the global recession. The region's high unemployment rate, together with the large proportion of employment in manufacturing, suggested that the area was at high risk of a deterioration in labour market conditions in the coming months. In addition, this region has historically performed poorly in previous economic downturns.

Sydney West and Blue Mountains (New South Wales)

Labour market conditions deteriorated in the Priority Employment Area of Sydney West and Blue Mountains, with the unemployment rate increasing from 5.8 per cent in September 2008 to stand at 7.9 per cent in April 2009. In addition, Central and North Western Sydney has a significant reliance on Manufacturing (12.5 per cent of total employment) and below average levels of educational attainment, which suggested that workers in the region could face significant difficulties adjusting to any industry restructuring or job losses that were likely to occur as a result of the global recession.

Central Coast-Hunter (New South Wales)

The Priority Employment Area of Central-Coast Hunter (which includes the City of Newcastle) displays a number of characteristics which suggested it may be at risk of labour market deterioration and disadvantage. For instance, an above average proportion of the working age population (16.2 per cent) were receiving income support payments in April 2009 (compared with 12.3 per cent for Australia). Moreover, the region has an above average proportion of employment in 'at risk' industries. In addition, given the population's

below average levels of educational attainment, Central Coast-Hunter could face significant difficulties adjusting to any industry restructuring likely to occur as a result of the global recession.

Illawarra (New South Wales)

The unemployment rate for the Illawarra stood at 7.4 per cent in April 2009, well above the Australian average of 5.9 per cent. Furthermore, the region displayed a number of other characteristics which suggested that it is at risk of labour market deterioration and disadvantage. For example, the participation rate in the region is just 57.4 per cent, well below the national average of 65.7 per cent, and the youth unemployment rate in the region stands at 13.2 per cent, compared with 9.8 per cent for Australia.

Moreover, the population in the region has relatively low levels of educational attainment, suggesting that if jobs were lost as a result of the downturn, newly unemployed people in the region would find it difficult to secure subsequent work. The region also experienced severe labour market disadvantage during the early 1990s recession, and remained disadvantaged for most of the following decade (it took until 1999 for the region's unemployment rate to persistently fall below 10 per cent).

- The City of Wollongong comprises just over half (54.6 per cent) of the Illawarra Priority Area. In the December quarter 2008 (latest available data at the Local Government Area (LGA) level at the time of analysis), the unemployment rate in Wollongong stood at 6.1 per cent. Wollongong also has an above-average reliance on manufacturing as an employer (12.0 per cent of total employment in the LGA), an industry being hard-hit by the global recession. The region also fared poorly in past labour market downturns (in the early 1990s recession, the unemployment rate for Wollongong peaked at 15.0 per cent, in the June quarter 1994).

Richmond-Tweed and Clarence Valley (New South Wales)

The vast majority of the Priority Employment Area of Richmond-Tweed and Clarence Valley lies within the ABS LFR of Richmond-Tweed and Mid-North Coast. As more up-to-date data was available at the LFR level, the analysis provided below relates to the LFR, which provides a reasonable proxy for the Priority Employment Area.

Richmond-Tweed and Clarence Valley has been one of the most persistently disadvantaged regions in Australia in recent decades, and continued to experience high levels of disadvantage. In April 2009, the unemployment rate stood at 8.3 per cent and around one in five people aged 15-64 were on income support.

- The region's reliance on at-risk industries (particularly tourism-related employment) and well below-average levels of educational attainment suggest that not only was the region currently disadvantaged, but may also deteriorate further as the impact of the global recession deepened.

Mid-North Coast (New South Wales)

The vast majority of the Priority Employment Area of Mid-North Coast lies within the ABS LFR of Richmond-Tweed and Mid-North Coast. However, the Priority Employment Area only comprises around a third of the LFR. Accordingly, some caution should be exercised when using labour market conditions in the LFR to provide an indication of underlying labour market conditions in the Priority Employment Area.

That said, the Mid-North Coast has been one of the most persistently disadvantaged regions in Australia in recent decades, and continued to experience high levels of disadvantage. In

April 2009, the unemployment rate stood at 8.3 per cent and around one in five people aged 15-64 were on income support.

- The region's reliance on at-risk industries (particularly in tourism-related employment) and well below-average levels of educational attainment suggested that not only was the region currently disadvantaged, but may also deteriorate further as the impact of the global recession deepened.

South Eastern Melbourne (Victoria)

South Eastern Melbourne relies heavily on manufacturing for employment (19.2 per cent of total employment in the region), well above the average for Australia. Accordingly, the region was likely to face substantial difficulties as manufacturers reduce staff in the face of falling domestic demand, due to the impact of the global recession. The unemployment rate in South Eastern Melbourne stood at 7.0 per cent in April 2009, compared with 5.9 per cent for Australia. In addition, the region recorded an above-average increase in unemployment beneficiaries since September 2008, when the global recession began to hit hard (up by 31.2 per cent). Together, these factors suggested that the labour market in this region was likely to deteriorate substantially over the course of 2009.

- There have been a number of manufacturing redundancies in the region in recent months by firms including Nissan Australia and Eaton Electric Systems.

North Western Melbourne (Victoria)

North Western Melbourne recorded an unemployment rate of 7.4 per cent in April 2009, well above the comparable national average of 5.9 per cent. Furthermore, North Western Melbourne has a significant reliance on manufacturing (16.4 per cent of total employment) and below average levels of educational attainment, which suggested that workers in the region could face significant difficulties adjusting to any industry restructuring or job losses likely to occur as a result of the global recession.

Ballarat-Bendigo (Victoria)

While many of the key labour market indicators in Ballarat-Bendigo are sound, an above average proportion of the working age (15-64 years) population in the region are receiving income support (15.9 per cent, compared with 12.3 per cent for Australia). Furthermore, the region displays a number of other characteristics which suggested it was at risk of labour market deterioration and disadvantage. For instance, the Priority Employment Area of Ballarat-Bendigo is reliant on a number of 'at risk' industries, such as manufacturing, construction, retail trade (that together employ around a third the workforce), which are already being hit (or are likely to be affected) by the impact of the global recession and could deteriorate further over 2009-10. This, combined with the population's below average educational attainment levels, suggested that workers in the region could face significant difficulties adjusting to any industry restructuring likely to occur as a result of the global recession, or may have difficulty securing subsequent employment following retrenchment.

North Eastern Victoria

While the unemployment rate for North Eastern Victoria stood at 4.7 per cent in April 2009, below the comparable national unemployment rate of 5.9 per cent, the region displays a number of other characteristics which suggest that it is at risk of further labour market deterioration and disadvantage. For example, the participation rate in the region is just

57.5 per cent, well below the national average of 65.7 per cent, and the youth unemployment rate in the region stood at 13.0 per cent, compared with 9.8 per cent for Australia. In addition, the population in the region has relatively low levels of educational attainment, suggesting that if jobs are lost as a result of the downturn, newly unemployed people in the region would find it difficult to secure subsequent work.

Ipswich-Logan (Queensland)

Ipswich-Logan, in Southern and Western Brisbane, recorded an unemployment rate of 5.6 per cent in April 2009, 1.2 percentage points higher than in September 2008. The region also recorded a sharp increase in the number of unemployment beneficiary recipients, up by 42.4 per cent since September 2008, well above the average increase for Australia as a whole (of 24.9 per cent). The region is heavily reliant on manufacturing and construction, (which together employ around a quarter (25.8 per cent) of Ipswich-Logan's workforce), which are already being hit by the impact of the global recession and are likely to deteriorate further over 2009-10. Further, the population in Ipswich-Logan has relatively low levels of educational attainment, suggesting that workers in the region could face significant difficulties adjusting to any industry restructuring likely to occur as a result of the global recession, or may have difficulty securing subsequent employment following retrenchment.

Caboolture-Sunshine Coast (Queensland)

Labour market conditions weakened in the Priority Employment Area of Caboolture-Sunshine Coast between September 2008 and April 2009, with the unemployment rate rising by 2.1 percentage points to stand at 5.1 per cent in April 2009. Further, the region recorded a sharp increase in the number of unemployment beneficiary recipients, up by 44.3 per cent since September 2008, well above the average increase for Australia as a whole (of 24.9 per cent). The Priority Employment Area is also at risk of disadvantage, given its reliance on 'at risk' industries, such as Construction and Retail Trade, which were already being hit (or likely to be affected) by the impact of the global recession and could deteriorate further over 2009-10. Given the population's relatively low levels of educational attainment, workers in the Caboolture-Sunshine Coast could face significant difficulties adjusting to any industry restructuring likely to occur as a result of the global recession, or may have difficulty securing subsequent employment following retrenchment.

Southern Wide Bay-Burnett (Queensland)

The Priority Employment Area of Southern Wide Bay-Burnett lies within the ABS LFR of Wide Bay-Burnett. However, the Priority Employment Area only comprises around 23 per cent of the LFR. Accordingly, some caution should be exercised when using labour market conditions in the LFR to provide an indication of underlying labour market conditions in the Priority Employment Area.

Southern Wide Bay-Burnett in Queensland is a particularly disadvantaged region with an unemployment rate of 7.3 per cent in April 2009 (well above the comparable national average of 5.9 per cent), while one in five working age people in the region (or 21.6 per cent) were receiving income support in April 2009 (compared with 12.3 per cent for Australia). Furthermore, the region displays a number of other characteristics which suggest that it is at risk of further labour market deterioration and disadvantage. For example, Southern Wide Bay-Burnett has a significant reliance on manufacturing (12.2 per cent of total employment), an industry that has already been affected by the global recession and is likely to deteriorate further over 2009-10. Furthermore, the population's below average levels of educational

attainment suggest that workers in the region could face significant difficulties adjusting to any industry restructuring or job losses likely to occur as a result of the global recession.

Bundaberg-Hervey Bay (Queensland)

The vast majority of the Priority Employment Area of Bundaberg-Hervey Bay lies within the ABS LFR of Wide Bay-Burnett. As more up-to-date data are available at the LFR level, the analysis provided below relates to the LFR, which provides a reasonable proxy for the Priority Employment Area.

Bundaberg-Hervey Bay in Queensland is a particularly disadvantaged region with an unemployment rate of 7.3 per cent in April 2009 (well above the comparable national average of 5.9 per cent), while one in five working age people in the region (or 21.6 per cent) were receiving income support in April 2009 (compared with 12.3 per cent for Australia). Furthermore, the region displays a number of other characteristics which suggest that it is at risk of further labour market deterioration and disadvantage. For instance, Bundaberg-Hervey Bay has a significant reliance on 'at-risk' industries (particularly in tourism-related employment) which, when combined with the population's well below-average levels of educational attainment, suggested the region may deteriorate further as the impact of the global recession deepened.

Cairns (Queensland)

Cairns, in Far North Queensland, recorded an unemployment rate of 9.4 per cent in April 2009, 4.5 percentage points higher than in September 2008 and well above the comparable national average (of 5.9 per cent). The region also recorded a sharp increase in the number of unemployment beneficiary recipients, up by 44.3 per cent since September 2008, well above the average increase for Australia as a whole (of 24.9 per cent). The Priority Employment Area is heavily reliant on the 'at risk' industries of manufacturing, construction and retail trade (that together employ almost 40 per cent of Cairn's workforce), which are already being hit (or are likely to be affected) by the impact of the global recession and could deteriorate further over 2009-10. Further, the population in Cairns has relatively low levels of educational attainment, suggesting that workers in the region faced significant difficulties adjusting to any industry restructuring likely to occur as a result of the global recession, or may have difficulty securing subsequent employment following retrenchment.

Townsville-Thuringowa (Queensland)

While many of the key labour market indicators in the Priority Employment Area of Townsville-Thuringowa were sound in April 2009, there were a number of high profile retrenchments occurring in Townsville, particularly in the mining industry. Furthermore, employment since the onset of the global recession had contracted in the Priority Employment Area, down by 3.4 per cent between September 2008 and April 2009. There were also a number of other indicators that suggested the region was at risk of labour market deterioration and disadvantage. For example, the Priority Employment Area recorded a sharp increase in the number of unemployment beneficiary recipients between September 2008 and April 2009 (up by 62.2 per cent), well above the average increase for Australia as a whole (of 24.9 per cent). Further, the population in Townsville-Thuringowa has relatively low levels of educational attainment, which suggested that workers in the region may have difficulty securing subsequent employment following retrenchment.

Northern and Western Adelaide (South Australia)

The unemployment rate in Northern and Western Adelaide rose by 3.1 percentage points over the year to stand at 8.6 per cent in April 2009, well above the average rate for South Australia. In addition, the region's significant reliance on manufacturing (15.5 per cent of total employment) and below average levels of educational attainment suggested that workers in the region could face significant difficulties adjusting to any industry restructuring that is likely to occur as a result of the global recession, or may have difficulty securing subsequent employment following retrenchment.

Port Augusta-Whyalla-Port Pirie (South Australia)

While Port Augusta-Whyalla-Port Pirie recorded an unemployment rate of 5.4 per cent in April 2009, below the comparable national average of 5.9 per cent, the Priority Employment Area displays a number of other characteristics which suggested that it was at risk of labour market deterioration and disadvantage. For example, Port Augusta-Whyalla-Port Pirie has a significant reliance on manufacturing (15.5 per cent of total employment) and below average levels of educational attainment, suggesting that workers in the region could face significant difficulties adjusting to any industry restructuring or job losses that are likely to occur as a result of the global recession. Further, around one in five people in the region aged 15-64 (or 19.5 per cent) were on income support in April 2009 (compared with 12.3 per cent for Australia).

South West Perth (Western Australia)

While many of the key labour market indicators in South West Perth are sound, the region recorded a well above-average increase (43.3 per cent) in unemployment beneficiaries between September 2008 and April 2009. The region also benefited strongly from the recent mining boom, the unwinding of which would have a significant impact on the economy and labour market in the area.

- It is also worth noting that the region experienced above-average labour market difficulties during the early 1990s recession.
- Kwinana, in South West Perth, faced particularly persistent labour market disadvantage in the past and, in the December quarter 2008, recorded an unemployment rate of 6.6 per cent. Further, its high reliance on manufacturing (16.5 per cent of total employment as at the 2006 Census) suggested it may be particularly affected by the downturn. The area's population is also particularly disadvantaged, with a high incidence of lone parent families with poor educational attainment, and a socio-economically disadvantaged population.

North West and Northern Tasmania

North West and Northern Tasmania have traditionally recorded below-average labour market conditions when compared with Tasmania as a whole and, in particular, when compared with Australia. The region has an above-average reliance on employment in manufacturing (accounting for 13.1 per cent of total employment) and a relatively low labour force participation rate (61.2 per cent, compared with 65.7 per cent for Australia). The region also has very low levels of educational attainment, which suggest that workers in the region would face significant difficulties adjusting to any industry restructuring or job losses that are likely to occur as a result of the global recession. It is also worth noting that a large proportion of

the region's working age (15-64) population is already on income support (18.1 per cent, compared with 12.3 per cent for Australia).

4. Key labour market data

Please see [Attachment A](#) for a table containing the unemployment rate, measured change in unemployment beneficiaries, percentage of working age population who are receiving income support payments, education levels and the proportion of employment in industries vulnerable to the economic downturn (e.g. manufacturing), for each Priority Employment Area. Data provided are latest available at the time of analysis, as these were the data used to compile the final list of Priority Employment Areas.

The level of entrenched disadvantage in a region is based on a number of indicators including, the unemployment rate, the pick-up in unemployment beneficiaries, education levels, occupation and industry composition of employment, proportion of population who are receiving income support payments and the labour market performance of a region in past downturns.

Attachment A

	Unemployment Rate April 2009 (%)	Increase in unemployment beneficiaries September 2008 to April 2009 (%)	Proportion of working age population (aged 15-64) in receipt of Income Support Payments, April 2009 (%)	Proportion of working age population (aged 15-64) who completed Year 12 or equivalent (%), August 2006	Proportion of working age population (aged 15-64) who have attained a Bachelor degree or higher, August 2006	Proportion of total employment in Manufacturing (%), August 2006	Proportion of total employment in Financial and Insurance Services (%), August 2006	Proportion of total employment in Construction (%), August 2006	Proportion of total employment in Retail Trade (%), August 2006
Canterbury-Bankstown and South Western Sydney	8.8	22.6	15.7	44.1	11.4	15.0	4.6	8.5	11.4
Illawarra	7.4	17.1	15.5	36.4	12.8	11.1	3.0	8.5	12.6
Richmond-Tweed and Clarence Valley	8.3	20.2	22.0	34.0	11.4	7.4	2.0	8.7	14.1
Mid-North Coast	8.3	11.7	22.0	29.1	9.4	8.1	2.0	9.0	14.4
South Eastern Melbourne	7.0	31.2	13.2	43.7	12.1	19.2	3.3	8.9	12.3
Ipswich-Logan	5.6	42.4	14.3	39.9	8.4	16.6	2.6	9.3	12.1
Northern and Western Adelaide	8.6	17.5	17.3	41.3	12.2	15.5	3.3	6.8	12.3
South West Perth	6.1	43.3	9.2	36.5	8.7	14.1	2.2	11.3	12.3
North West/Northern Tasmania	4.6	12.1	18.1	27.9	10.3	13.1	2.4	6.6	12.1
Port Augusta-Whyalla-Port Pirie	5.4	12.9	19.5	26.9	7.1	15.5	1.5	5.9	12.8
Southern Wide Bay-Burnett	7.3	32.9	21.6	29.2	6.9	12.2	1.2	8.4	12.0
Bundaberg-Hervey Bay	7.3	32.5	21.6	30.5	8.0	8.9	1.7	9.9	13.4
North Western Melbourne	7.4	24.1	14.4	45.0	12.8	16.4	4.1	7.8	11.4
Ballarat-Bendigo	6.6	21.1	15.9	37.7	13.6	12.6	2.5	8.0	12.7
Sydney West and Blue Mountains	7.9	26.7	13.3	45.7	15.8	12.5	5.1	8.1	11.0
Cairns	9.4	44.3	16.6	42.1	11.5	6.5	1.8	9.6	12.5
Caboorture-Sunshine Coast	5.1	52.9	12.9	40.1	10.9	9.0	2.4	12.4	13.8
Central Coast-Hunter	6.6	15.9	16.2	35.3	11.9	10.5	3.1	8.8	12.9
Townsville-Thuringowa	3.8	62.2	13.3	42.7	12.3	9.0	1.7	9.0	10.9
North Eastern Victoria	4.7	11.3	16.1	34.1	11.0	14.6	1.9	7.6	12.4
Australia	5.9	24.9	12.3	46.5	17.4	10.5	3.8	7.8	11.3

Explanatory notes and sourcing

Unemployment rate – *ABS Labour Force, Detailed - Electronic Delivery, April 2009* (cat no. 6291.0.55.001), three month averages of *original* estimates. Rates provided are for ABS labour force regions that best approximate Priority Employment Areas.

Measured change in unemployment beneficiaries and percentage of population receiving income support payments – *DEEWR administrative databases* (Bluebook database). Proportions of population on income support are for ABS labour force regions that approximate Priority Employment Areas. Measured change in unemployment beneficiaries are for the Local Government Areas that comprise the Priority Employment Areas.

Education levels and proportion of employment by industry - *ABS Census of Population and Housing, August 2006*. Figures are for the Local Government Areas that comprise the Priority Employment Areas