



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON EMPLOYMENT AND
WORKPLACE RELATIONS

Reference: Regional skills relocation

THURSDAY, 27 MAY 2010

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfo.aph.gov.au>

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON EMPLOYMENT AND WORKPLACE RELATIONS

Thursday, 27 May 2010

Members: Ms Jackson (*Chair*), Mr Haase (*Deputy Chair*), Mr Bidgood, Ms Bird, Mr Fitzgibbon, Mr Keenan, Ms O'Dwyer, Mr Perrett, Mr Ramsey and Mr Symon

Members in attendance: Mr Bidgood, Ms Bird, Mr Haase, Ms Jackson, Ms O'Dwyer, Mr Perrett and Mr Symon

Terms of reference for the inquiry:

To inquire into and report on:

Applicability of government employment policies to address the skills shortages in regional Australia focusing on opportunities to support the relocation of unemployed workers from areas of high unemployment to areas experiencing skills shortages.

WITNESSES

HARTMAN, Mr Michael, Chief Executive Officer, ForestWorks 15
McELHONE, Mr Charles, Manager, Economics and Trade, National Farmers Federation 1
WAWN, Ms Denita, General Manager, Workplace and Corporate Relations, National Farmers Federation 1

Committee met at 11.26 am**McELHONE, Mr Charles, Manager, Economics and Trade, National Farmers Federation****WAWN, Ms Denita, General Manager, Workplace and Corporate Relations, National Farmers Federation**

CHAIR (Ms Jackson)—Welcome, Ms Wawn and Mr McElhone. This is the third public hearing for the committee's inquiry into regional skills relocation. Although the committee does not require you to give evidence under oath, I advise you that this hearing is a legal proceeding of the parliament and therefore has the same standing as proceedings of the respective houses. Thank you for your attendance today. I really appreciate your coming along. We have certainly received your submission. Would you be interested in making an opening statement before I open the hearing to questions from the committee?

Ms Wawn—Thank you very much. The NFF intends to make some brief comments as obviously we have focused most on the key issues in our submission. The National Farmers Federation has identified regional labour and skill needs since 2005. At that time we developed a labour shortage action plan that was updated in 2008 and has been supplemented by a number of issues papers surrounding population policy this year in terms of issues relating to cost discrepancies of living in regional Australia and also in terms of the labour and skill shortages that we currently project over the next five years.

The issue of labour shortage in agriculture did not necessarily reach its peak that we identified in 2005, unfortunately, due to drought. However, given recent rains in some parts of Australia—but not all parts of Australia—we anticipate and estimate that the figures we were looking at in 2005 may well be reasonable figures to look at in the next five years: that means anything between 80,000 to 100,000 extra jobs over the five-year period. Agrifood Skills Council in its recent environmental scan estimated 10,000 to 20,000 jobs every year for the next five years.

Certainly from the NFF's perspective, and this has been consistent in all of our consideration over the last five years, resolving labour shortages and skill shortages in regional Australia for agriculture requires a look at more than just one policy issue. We need to look at the multiple government layers about how we approach this and how industry itself can work towards resolving our issues. Therefore we consistently identify how we can harness those already living in regional Australia to take up jobs that are available and how we can look at domestic relocation, which is obviously the focus of this particular inquiry, but not forgetting there are immigration issues we need to consider as well.

In terms of policy issues, we have identified a number of key areas that need to be considered in terms of the specific issue of domestic relocation. One is the cost of living in regional Australia and some of the impediments of living in regional Australia. That is certainly why Charlie is here today. Significantly, he has looked at taxation opportunities and at trying to resolve discrepancies of living in regional Australia, as well as some of the infrastructure impediments, both hard and soft.

We have looked at partnership approaches between government and industry in trying to resolve these issues. The NFF has been working with the Minerals Council of Australia since

about 2008 on some joint work that means we are now doing joint work between both organisations and with our relevant industry skills councils. We are looking at ways in which we can match skill sets for both sectors to maximise job opportunities—if people move into regional Australia if they can have skill sets recognised by the industry itself and not just training for training's sake.

The last two issues are looking at the vocational education and training structures. We have some concerns about current funding arrangements for the delivery of VET into regional Australia and for regional industries. We have also looked at employment participation programs. There are some programs that perhaps people do not understand relative to the way in which entitlements work and how they engage in regional Australia and regional jobs. But also there may well need to be some policy changes to encourage people to take up regional jobs, and those policy changes are currently not in place.

Those issues are identified in our issues paper that we have provided and are reflected in some of the supporting material that I hope some of you have had a chance to look at. That concludes our opening statement.

CHAIR—Thank you very much for that. I certainly appreciate the effort you put into the submission and I also appreciate what a significant issue the question of labour shortages in regional areas is for your organisation. I am sure there will be many questions. One thing I would be interested in stems from some of the submissions we have received. There is a bit of a flavour that a holistic approach is required to attracting and retaining labour in regional areas. I think that is basically the bottom line of your submission as well.

Ms Wawn—That is very true. For example, we could get someone to move to a particular regional location, but they might not have housing, they might not have access to child care, and there might not be training available for them to meet any gaps in their training to satisfy the needs of both themselves and the employer and so forth. There are a multitude of areas that we need to consider at once: we cannot look at this in a policy vacuum or with a silo approach. It needs a holistic approach and it needs to be considered not just across portfolio areas but also across all levels of government, and with industry as well.

Therefore we think the current policy debate on population for Australia is a good way of approaching this from a holistic perspective. We need to recognise that there are a large number of industries calling out for workers in regional Australia. That may well relieve some of the concerns people have with the problems associated with the lack of infrastructure for a growing population in coastal areas, particularly metropolitan Australia. We believe that this is a perfect opportunity to consider it from a holistic approach.

CHAIR—I grew up in the bush in Western Australia. Over that time there was substantial change in the nature of country towns that I grew up in. My dad worked in the former Bank of New South Wales, so we lived in quite a few country towns over that period. There are economic adjustments and changes which have had a direct effect, and we cannot reverse all of those. Certainly the Skills Australia report talked about perhaps considering some creative solutions to that. Will you comment on not being able to reverse the trend of not having railway workers and bank staff, for example, in country towns?

Mr McElhone—Sure. On a broader economic level, we draw your attention to a recent report from the Australian Farm Institute, which shows that the costs of essential services are now five times greater in regional Australia than they are in metropolitan Australia. We are talking across the board—health, infrastructure, education, but particularly around the education area, which the report highlights.

We believe that there is a real bias towards living in metropolitan Australia. There are a few policy issues that have been inherent for a number of years, such as capital gains tax and concessions for your family home, which have been an enormous wealth generator in metropolitan areas in particular. Add to that the first home buyers grant, which is another real boost to the value of the family home in metropolitan Australia, and a number of other things and you start to see some of these inherent biases towards wealth generation in metropolitan areas.

On top of that, we note that there has been a tax zone rebate system for many years. In the initial stage the tax zone rebate was a very significant element of regional incomes and it was a significant incentive. But I think it is fair to say that now it is really a very marginal element. It still exists; you have tax zones A and B, and they are still out there, but the zones are out of date as is how meaningful the amount is and what kind of incentive it generates. It is just completely out of date. The Henry review actually has highlighted that it is an out-of-date system that needs to be reviewed, and that is all we are asking for: let us look at the zones and the amounts and whether they are delivering on the original policy intent. Let us make sure that we have a suite of policies that deliver on the policy intent.

CHAIR—Barry, do you have a question?

Mr HAASE—Endless questions.

CHAIR—I am going to limit you to a couple.

Mr HAASE—I know you are, and that is my concern. Charlie, I could not agree more with you in relation to the taxation zone rebates. Most of the rates these days are not worth a stamp and are hardly worth the time it takes to claim it on your taxation return. They have been reviewed historically about every 10 years and adjusted, minutely—nudged one way or the other. They are well overdue for review.

Mr McElhone—Yes.

Mr HAASE—Of course the argument spins around the delineation of areas, the population delineation.

Mr McElhone—Absolutely, yes.

Mr HAASE—I know that your organisation has done a lot of work in the past on developing a new standard for the delineation of areas.

Mr McElhone—We have done an extensive paper on this issue which does go into some of the regions, but really at the moment we are just trying to reopen the debate. We know it has met with a lot of resistance in the past, but we are keen to just get everything on the table again.

Mr HAASE—It has to happen.

Mr McElhone—Absolutely.

Mr HAASE—It was worth six weeks wages extra a year when it was first introduced. It is now not worth a stamp, as I say. I have gone toe to toe with treasurers over 11 years and they do not quite see it the way we do because they are a little more focused on populations of cities.

Mr McElhone—Sure.

Mr HAASE—But, as we realise, those populations are going to become more and more overwhelmed.

Mr McElhone—Absolutely.

Mr HAASE—That will happen when the bush empties and as services in the bush become more and more expensive, and city dwellers have to pay more and more as they become more and more remote from the realities of Australian living. So you have the opportunity to tell us what the solution is. You allude to a lot of the solutions but, might I say, obliquely as opposed to solid policy decisions. The Henry report has something to say on it, but you would be well aware that recommendations in reports and the reality of government action are two distinctly different things.

Mr McElhone—Absolutely.

Mr HAASE—What are your plans to push this to the fore through your extensive Australian organisation?

Mr McElhone—For starters, we want an acknowledgement that there is a problem. We have to get that acknowledgement that this really is an issue that needs to be resolved. We are very much trying to get that on the table at the moment. We also need to change the focus on where this has really been in the past. I think it has been perceived that this is about giving regional communities a leg-up. We see this as a way of correcting the inequities that currently exist.

We believe the inequities quite possibly will increase over time, particularly depending on where the carbon price issue lies. Regional communities are very much more exposed to the use of fossil fuels, particularly in transport fuels. They also have less access to public transport, so it is a matter of changing that attitude as well. It has been mentioned in our Henry review submission and in this year's federal budget submission, and it has been an issue we have raised over quite some time. This is an issue that we are holding onto. It has not gone away. We continue to drive that through every angle we possibly can. We are speaking to all political parties about it, as we are with you today.

Ms Wawn—Deputy Chair, certainly we will take on notice your reference to specific detail, but we have been conscious of not putting a great deal of detail in it because we have had so much push-back over such a long period on the concept of tax zones. When we get some positive feedback that it is something worth considering, then the detail can follow suit but, as you say, it has been going on for 10 years or so. I know when I first started with the NFF eight or nine years ago we had just done a significant review of tax zones. That was our first one. It has been consistently rejected. We are hoping that in this debate about population and about the need to relocate people into regional Australia where the jobs are and where there is some potential for relieving infrastructure problems in metropolitan Australia, this will hold people's interest so that we can then sit down and formulate a properly detailed policy proposal to give the issue direction.

Mr McElhone—I should add that it does not have to be just tax zone rebates. That is one option we have put on the table. If we can come up with alternatives that we believe deliver on the same policy outcome, absolutely we will look at those. But we have put this on the table and nothing else is coming at us.

Mr HAASE—Do you have any comment about the nature of welfare payments or unemployment benefits and the absence of a requirement for jobs to be undertaken in exchange for welfare, and on whether there may have to be no jobs anywhere if a person is to be able to stay where they are and continue to be paid?

Ms Wawn—We obviously believe that there should be more of a carrot rather than a stick approach in terms of welfare. Nevertheless, there is no doubt there are frustrations within the farming communities when there are high levels of unemployment in their area. They usually have entry level seasonal jobs available for short periods of time. There are able people who are receiving government benefits but who are not taking up those jobs. While it is not the policy of the NFF to say that their benefits must go, under certain circumstances there needs to be a reconsideration of penalties that may be put in place for those people who do not take up those jobs.

A good example is in coastal northern New South Wales and some parts of Queensland where you get horticultural people saying that they want someone for six weeks, they have 10 per cent unemployment, and a lot of people are surfing on the beaches. That is a very small number of people who are receiving unemployment benefits. What can we do to encourage those people to take up the jobs?

Certainly the feedback we get from potential employees is that, if they take a seasonal job for a couple of weeks or a month or two, they will lose out on benefits and they will not get the benefits back for a number of months. I assumed that that was the case, but recently I checked with Centrelink, and that is not the case. You can be eligible for Newstart and get Newstart if you accept a job for a period of up to 12 weeks. You do not receive any benefits for up to 12 weeks. You can get paid for your job, but if your job does not go for any more than 12 weeks you resume Newstart entitlements straightaway. I do not think a lot of people understand that that system is in place. One of the things that we need to look at with the likes of Centrelink is better promotion of how the system works, where the eligibility criteria step in and so forth. That fallacy has gone around for years. It was not until recently that I realised it is actually incorrect.

Ms BIRD—There might have been averaging rules that had that effect for a while.

Mr PERRETT—I notice that Chris Bowen made some announcements along those lines.

Ms Wawn—Thank you, I missed those.

Mr PERRETT—Charlie, I am particularly keen to revisit the tax zone.

Mr McElhone—Yes.

Mr PERRETT—As Barry said, since 1943 when it came in, it has almost withered away. It is a very blunt instrument. If we have a coalminer living next door to a fruit picker and the same instrument is used for those two people for the same tax benefits, it is obviously not necessarily what the Treasurer would want, and maybe not necessarily what the National Farmers Federation would want. Do you have any comment on that in terms of your interplay with the Minerals Council and their considerations?

Mr McElhone—All I would say is that it is not about comparisons of who is living in regional Australia; it is acknowledgement of the inequities of living and working in those regions and the higher cost of living and working in those regions. It will be higher for you if you are making \$200 grand or if you are making \$10,000. The same principle applies.

Ms BIRD—Can I clarify whether you include the cost of housing in that cost-of-living index? I ask because the beef I get all the time is about the cost of housing in the cities.

Mr McElhone—The cost of essential services is five times greater.

Ms BIRD—I accept that. I am just wondering whether the cost of housing is a factor in there.

Mr McElhone—Obviously it depends on where you are.

Ms BIRD—One of the things that young people who are relocating could be encouraged to do is get in on the housing market in some of these areas, which they cannot do in the city.

Ms Wawn—We did some studies for a wage case in 2003 and looked at housing as part of the cost of living. In some areas the housing cost decreases to some degree overall, but increasingly we are seeing housing costs increase quite significantly. Take areas where there is an interface between agriculture and mining and there is a lack of housing infrastructure, and we find good examples of the difficulties.

A few years ago I was talking to some dairy farmers in Victoria who had found some workers who would be willing to relocate but they could not find any housing in the town. There are also impediments at a local government level to putting additional housing on properties. Even if the farmer wanted to put another cottage on the property—

Ms BIRD—It is not an attraction option any more to encourage people to relocate.

Ms Wawn—No. Examples of the old adage of cheaper housing being available in regional Australia are dramatically decreasing. There are also impediments, because of planning restrictions, to farmers who have land putting additional housing on their properties.

Mr McElhone—But also, looking at the land values themselves, obviously you are talking about the housing side in isolation. But if you are moving into an acreage or into a farming community the land prices have had a significant increase in recent times.

Mr PERRETT—But if I could still tease it out, that presumption of tax zones is a very blunt instrument. Even if they did get the geography right, instead of treating Port Douglas the same as a little township west of Alice Springs, do you really think that it is the lever that the tax office should be pulling? Will it attract? Will it turn a FIFO into a resident?

Mr McElhone—Not in isolation. It is not a silver bullet by any stretch of the imagination, but it is an acknowledgement of the inequity and an attempt to correct the imbalance. As Denita mentioned, there needs to be a suite of policies that are all looking at this particular issue. But we do believe the taxation system can play a role. We acknowledge that it is a blunt instrument: there are those factors. That is why we are suggesting that we should open up the debate, have a review, examine where the problems really lie, and see whether we can overcome those.

CHAIR—I have heaps of questions, which is the beauty of being the chair. In Western Australia we address this in part through allowances and the like in our industrial system, or we used to before the industrial system was dramatically altered and changed.

Mr PERRETT—We still do it in state awards to a certain extent in Queensland.

CHAIR—That is right. I just do not know how much your submission to the Henry review focused on that. I do not want you to reinvent the wheel, but your specific recommendations to the Henry review on this area might be of interest to the committee.

Mr McElhone—Sure.

CHAIR—It seems to me, in terms of that holistic approach, that you cannot double dip on something if maybe there are systems in place.

Mr McElhone—Absolutely. The other thing we talk about is the infrastructure need as well. We are very concerned that there has been more of a piecemeal approach to investing in infrastructure generally. We have been very strong, particularly on the transport side, on the need for a holistic plan so we can get some accountability back into the system about where we can get the best bang for our buck. There are limited dollars in the system to invest in critical infrastructure. Really it is getting the politics out of it, to be honest, and making sure that we are getting the best economic return for the Australian economy in general. We are obviously very concerned about the agricultural component within that.

Ms Wawn—In response to your question regarding industrial allowances, there have always been allowances contained in agricultural awards, particularly for seasonal work, such as shearing and so forth or for travelling long distances. Some of those have been retained. Some of

the state-specific ones will be phased out over a period, but there is still some level of allowances for long-distance travelling.

CHAIR—I was talking about specific zonal allowances.

Ms Wawn—Yes, there were zonal allowances.

CHAIR—We have had them in Western Australia for years and years and years, even in federal awards.

Ms Wawn—But they will go.

CHAIR—They are going. Some may say that is great, but from a Western Australian perspective, that was one of the significant issues. They were the things that were disappearing under previous industrial arrangements when a bit of deregulation started coming in, but they were precisely about the cost of living in regional areas. A very detailed piece of work went on every year to review what they were worth.

Ms Wawn—One thing that is of significant benefit for full-time and part-time workers but particularly for those working full time in agriculture, is the FBT exemptions for the provision of housing on-farm, the provision of a car and meals and so forth. That has been quite critical in the capacity of farmers to be able to attract people to work for them full time.

A study was undertaken on a managerial and an assistant managerial position showing that about 25 to 35 per cent of a salary in that region comprises non-monetary benefits. We believe those exemptions are quite significant in the capacity of regional Australia to attract people. We commend the retention of those, but whether or not there is any opportunity beyond agriculture to ensure that there are some opportunities for non-monetary benefit packaging to attract people into regional Australia, I cannot say. For example, with on-farm exemptions the house has to be on the property, but if they own a house in the town they cannot use that as being FBT exempt. There could well be some opportunities to revisit some of those issues as well.

Mr BIDGOOD—The electorate of Dawson involves many of those issues. We have mining and great agriculture—there is sugar, and Bowen with its mangoes and tomatoes, and everything like that. I want to go to your recommendation but I will build on it first in relation to temporary visas and ask you to expand on that in a moment. The role of backpackers is crucial for fruit-picking in Bowen. Obviously there have been some issues simply because there is a lack of human labour with which to get the job done. People who live in the area go off to the mines and can earn \$120,000 a year at 18 years of age. It is just phenomenal. You cannot blame them for doing that. People are moving off sugarcane farms.

Particularly in the electorate of Dawson, we have less than 3.5 per cent unemployment, which is significant. Rental property availability is less than one per cent, which is why we receive big government incentives for low-cost affordable housing, which is crucial, particularly for people on low incomes. I know that fruit farmers, particularly in Bowen, say to me that they need the backpacker market. Can you expand on the numbers of backpackers who are coming in? Obviously people are not moving from elsewhere in Australia to come and pick tomatoes. Can you flesh that out for me with some facts and figures?

Ms Wawn—I have not seen the recent numbers, but we are finding two things with the backpackers. One is, as you rightly say, they are critical. They have become even more critical since the introduction of the second 12-month visa that is available to them. I think it was about four or five years ago that a second visa was introduced for them, so that if they worked in a regional area for a primary producer for at least three months of their initial 12-month visa they were eligible for a second 12-month visa. That has increased numbers quite substantially. We have never done any analysis of the extent, but it has increased quite substantially the number of backpackers who are taking up jobs in agriculture.

I have been moving around the country quite a bit doing workplace relations seminars over the last six months or so, and the feedback very much is that ‘we love it’, because a lot of them come back. Interestingly, you hear stories about them coming back for the second season. They love Australia so they are talking about up-skilling and looking at a 457 visa to stay in Australia. Certainly that has had a significant positive impact for farmers and to some degree has decreased in some regions the concerns about fruit-picking and vegetable-picking. It has not necessarily been the case in more remote areas of inland Australia. Everyone likes to come to your neck of the woods where it is hot and there is a beach.

Mr BIDGOOD—They sure do. It is lovely.

CHAIR—Until they discover northern Western Australia.

Ms Wawn—Or go to Carnarvon, or somewhere like that.

CHAIR—Or Broome.

Ms Wawn—Or Broome, yes, but it always seems to be coastal. So we seem to have continuing difficulties in inland areas, such as Swan Hill, Mildura, Griffith and so forth.

Mr PERRETT—I know St George has had some success with fruit and rockmelons and things like that.

Mr BIDGOOD—Chair, can we request information either from this group or from another group to get some more detail on backpackers?

CHAIR—We are very conscious of some of the work that is being done in the whole migration skills review area.

Ms Wawn—DIAC.

CHAIR—And we intend to meet with DIAC because we are a bit like government and we do not want to duplicate what is being dealt with elsewhere.

Ms Wawn—DIAC certainly has quite a lot of detailed information on backpackers. Obviously backpacker numbers are supplemented by the grey nomads, the retirees. We also are still very interested in something that is currently in the pilot stage, and that is the Pacific Island seasonal workers scheme. It has had some teething problems but ultimately for those inland areas that

have (a) low unemployment and (b) difficulty in attracting backpackers and grey nomads, we believe there is still some opportunity and believe that that concept is just as important as well.

Mr BIDGOOD—I am looking at your recommendations about single parents, male or female, who do 30 hours a week once the kids go to school. Particularly in our region, because of very low unemployment, that sort of recommendation does not really fly. But the backpacking thing is a win-win because you get international tourists coming in and earning local dollars as well as spending some of their own money in the area, particularly in my electorate with the Whitsundays and a lot of attractions.

The only other comparable thing that I can think of is the hospitality industry—people migrate from Sydney and Melbourne to Mackay and the Whitsundays to service the islands and the hotels. There is a definite skills migration that takes place seasonally, and then they go back. I just wonder how that would happen and what incentives you would give to get people to go inland, as you have suggested, and address those on-farm issues.

Ms Wawn—Certainly when we look at attracting more people to more inland areas of Australia we have to look quite differently at a permanent worker and a seasonal worker. A permanent worker obviously needs long-term accommodation. They are also looking at infrastructure in the location and how it can support their family and so forth as well as what their career opportunities are, whereas some seasonal workers are happy to camp out at the local camping ground. However, we find that all the caravan parks have been sold off.

Mr BIDGOOD—They have been sold off in our area for housing estates.

Ms Wawn—I know a number of farmers who have started their own hostel and bought their own bus collectively so that they can take people onto the farms to work. Industry has been quite innovative, but the question is whether there are some cost impediments to doing some of those things.

Mr McElhone—One issue that has been a bugbear of ours for a number of years has been the superannuation threshold. Over time that has not been indexed and it is still at about \$450.

CHAIR—Recently we released a report recommending that it should be done away with altogether.

Ms Wawn—The problem we have had with super recently, more than the threshold, is all the super that goes to the backpackers and that ends up in the general pool because they do not collect it. There is an argument about whether or not the backpacker superannuation payment, if it is not going back to the backpackers, should get directed to regional development investment. So I flag that one today.

Mr BIDGOOD—Nicely flagged.

Ms Wawn—Thank you for that segue!

Mr SYMON—My question goes to the competition for labour. As I see it, you have a bit of a double bind. You are competing against a higher-paying industry, such as resources, at the same

time as both they and you are competing against cities for that labour. I know you have spoken about tax zones and various other things this morning, but are there other suggestions that you have which would give a primary producer some advantage in terms of competition against a resource outfit to attract skilled labour—I speak in terms only of skilled labour—from a city?

Ms Wawn—Certainly we recognise the competition: we are never going to be able to compete with mining sector wages. Although, interestingly enough, when you look at the wages for higher skills and add the non-monetary benefits, we are doing relatively well in comparison with what people would like to think. We also find that historically people will go into mining for a number of years and not really like the lifestyle, so they like to return to agriculture.

But to come to your question of how we attract people from the cities into the regions, they may well be interested in coming into the regions to work in mining in the first instance. When they get sick of the lifestyle of mining, how do we keep them in those regions and go into agriculture? What we have been doing is working with the Minerals Council. Some were quite sceptical in the first instance, but the relationship has continued now for about three years. We have put out an initial report on some of the work we can do.

Recently we have been working with MCA and the two relevant industry skills councils to put together a joint entry-level skill set training program. Its purpose is to encourage people in areas where there is high unemployment and limited job opportunities to undertake training in those skill sets and, with skill sets that are recognised by industry, to move into regional Australia to take up job opportunities.

We acknowledge that a lot of them will go directly into mining. Nevertheless, when they come out of mining, is there an opportunity for them to take up an agricultural job as well because they have been immersed in the region? We believe that, as probably the two largest employers of labour in regional Australia, we need to work together to try to harness how we deliver people into the bush. One of the things we have identified as a failing is that there is a lack of understanding of workforce development strategy at a local level—whether by industry, by local leaders or local government. They need to know how to develop workforce plans and how collectively at a local level they can attract people and retain them in regional Australia. We think that is a significant area where some funding could well be contributed to how we better plan workforce development.

The other issue is the need to ensure that we get as much flexible training delivery as possible in regional Australia that meets the increasing skill demands of the sectors. We think the funding models are not quite right at the moment. Currently we are working with MCA on delivering a joint paper to government on how we think that could be resolved. Unfortunately it is not quite finalised to be able to present it to the committee today. Certainly we are always going to compete with them but we think there is more opportunity to work collaboratively at a regional level. That has worked quite well to date.

Mr SYMON—Following on from that, I imagine that one of the other problems is faced by both organisations, which is that a lot of the services you need that are provided by skilled people are town based.

Ms Wawn—Yes.

Mr SYMON—Yes, you have your FBT exemptions, as you explained earlier, for on-farm, but the problem is that the exemption is not available off-farm. I imagine that would be even more the case for a service based person who wants to work in a regional area but lives in town. But again, you are competing against a larger town somewhere else.

Ms Wawn—That is right.

Mr SYMON—I was interested to hear your explanation of the FBT. I had not looked at that side of things previously, whether it be on-farm or off-farm but in a regional town.

Ms Wawn—That comes down to Charlie's point that we are not wedded necessarily to improving tax zones. We are suggesting that we should look at a variety of mechanisms to assist people with the cost of living and the discrepancy between the cost of living in regional Australia and metropolitan Australia as well as how we can improve services and improve the population levels, because ultimately there will not be service improvement until you get the population. So it is a chicken and egg scenario. We need to provide some opportunities to attract people and jointly work in partnership with all levels of government to ensure we can quickly follow the service provision as well so that people stay there.

CHAIR—It is not only that we are using sayings like chicken and egg, but also it is back to carrots and sticks!

Mr PERRETT—It is agriculture.

CHAIR—It is agriculture, yes. The interesting thing about regional Australia is that it is so uniquely different from place to place, area to area, region to region, and state to state. It seems to me that we have discussed the key factors—the community, individual farmers and businesses working with local governments, for example. Should not the carrot and stick from a federal government point of view be to let a community come to the government with a proposal for how it addresses its particular unique circumstances and maybe provide some flexibility in our system to be able to respond to that grassroots initiative? From what I have read of some of the submissions that have come in, you want to really reward those people who are approaching the issue from a holistic basis—those who have talked about schooling for the kids, the job for the partner, the training issues that are associated with it, and whether businesses are prepared to do their bit and train more than they need for their business. That is where government assistance, funding, tax credits or something might be the key.

Ms Wawn—I agree with you to some degree. However, it is leadership and getting people to understand what is available in the first instance. I asked someone at DEEWR a few weeks ago if they could tell me all the employment participation and training programs that could be available for agriculture and whether there was a one-pager on them. There was dead silence. No-one can tell me, quickly and easily, or set it out in a one-pager, what is available for our sector and how people are eligible. So how can a small regional community put together a nice little package to convince the federal government to assist it?

So I think it needs to be a partnership approach. A good example is that we have made an application for funding to run some pilot programs jointly with MCA and the industry skills councils on joint skill sets. A component of the project is actually saying that we will not select

the sites but rather we will put this opportunity out for tender and the local areas will have to come to us and justify why it is worthwhile spending that grant money in their local region. We want some buy-in by the local region. So we have said, 'Here it is. We're going through the quagmire of trying to get that support for you. We have made it simpler and easier. Those who want to help themselves can now come to us and get that opportunity for their region.' They will need to quantify the reasons they should have it for their region as opposed to another region having it. I think it is a half-way measure. You cannot place total reliance on them to do something: it is perceived to be all too hard.

Mr McElhone—However, I would say there are dangers. I agree that it would be nice if all the communities came through. They should be actively involved in putting together programs but you have to make sure you avoid the dangers. This is similar to what we experience in transport infrastructure. Earlier I mentioned the example of how effective an individual community is in lobbying for their own bridge without knowing how effective that will be in the context of broader economic and sectoral need. It still needs to be integrated in a broader holistic plan.

CHAIR—That was fantastic. I cannot guarantee that we will not want to come back and collect material from you.

Ms Wawn—That is all right.

CHAIR—If you think there are matters arising from today's conversation that might be of interest or benefit to the committee, please feel free to send information to us. We would be grateful for it.

Mr McElhone—Yes, absolutely.

CHAIR—On my own behalf I must say I noticed that one of your recommendations was about barriers for people on welfare. You cited an example of a woman who had a baby and who needed to do a specific number of hours—30 hours a week—rather than an average. If you have identified other barriers in systems that you think should be changed or tweaked, we would be interested in that.

Mr BIDGOOD—Chair, just as you were speaking then, the role of the prison population occurred to me. Do you use any of the prison population in agriculture at all? Is there a role there?

Ms Wawn—No, not that I am aware of. Member organisations in Queensland may do that.

Mr BIDGOOD—I know that the local council does.

CHAIR—We might find that out specifically.

Ms Wawn—Certainly if any other issues are identified to us, we will bring them to your attention. As I said, we hope to have some more information from our joint work with MCA available in the next few weeks. Perhaps we can also undertake to provide some of the work we have done in relation to the Henry review.

Mr McElhone—Absolutely. We can send you some of that information.

Ms Wawn—And we will provide a reference to the Australian Farm Institute report that was released recently on cost of living.

CHAIR—I made a note of that as well.

Mr McElhone—Yes.

Ms Wawn—We undertake to provide those to you.

CHAIR—Thank you, and, on behalf of the committee, thank you very much for attending.

Mr McElhone—Thank you.

Ms Wawn—Thank you.

[12.14 pm]

HARTMAN, Mr Michael, Chief Executive Officer, ForestWorks

CHAIR—Welcome, Mr Hartman. Thank you for attending and for your submission. Although the committee does not require you to give evidence under oath, I advise you that this hearing is a legal proceeding of the parliament and therefore has the same standing as proceedings of the respective houses. We have your submission, and we are very grateful for it. Would you like to make an opening statement before we begin asking a few questions?

Mr Hartman—I would love to, thank you.

CHAIR—Please proceed.

Mr Hartman—Thanks very much for allowing me to give some information and for accepting our submission. Thank you also for the work you will be doing, which I think is very important. ForestWorks is one of the industry skills councils that looks after the forest and the forest products industry, but we have a much broader role than just being a national skills council, which is a DEEWR-anointed function that we have had for about three years. In the past one of our functions was being a service provider for the forest and forest products industry. In one of those areas we have provided services to people who have lost their jobs through redundancies in the industry. Our latest tally, which we did yesterday, shows that was close to 1,800 workers in all different states.

CHAIR—Wow.

Mr Hartman—We have managed to take them from a situation of redundancy to employment or training and a new job. We have a lot of experience hands-on in getting people from a rural setting. Just about all the closures in our industry have been in rural settings or regional Australia. One was in the Shoalhaven, and it was probably the closest one to the city.

Recently we have been involved in retraining and trying to find work for 350 workers who have lost their jobs in the two paper mills in north-eastern Tasmania. That will represent a particular challenge for us. Most of the work we have done over the past nine years has been in a skill shortage environment. We have had great success—figures of over 90 per cent—in getting people into jobs within three to eight months of their becoming unemployed.

The most recent example was in Dartmoor in Victoria, and in Nangwarry in South Australia. If you have ever visited Dartmoor, you would know it is virtually a one-timber-mill town. Overnight 121 workers lost their jobs. We got 80 of those back into employment within six months. We understand their experiences, what they go through, and how they are sitting in a town in their house that virtually has become worthless overnight. They say to us, ‘I have to start again. What do I do?’

We put people on the ground to manage that process and take them through it. To a certain degree we are providing a function that is a Job Services Australia type of function, but in a very

different model and one that produces significantly better results for the workers concerned. That work that gives us a fair bit of knowledge has been focused on getting jobs for those people—ongoing permanent employment. Specifically it has not been a research activity into labour force mobility, but through that process, under a Victorian program that was funded by the Victorian government, we serviced 800 workers who lost their jobs. The government had reduced the log supply to the industry, so a lot of mills were shut down.

We were given a Victorian government contract to look after the workers. About 10 or 12 per cent of the workers needed relocation, as distinct from finding jobs, so we learnt a few lessons about relocation from that process. One of the lessons is that, for most workers, relocation was the option of last choice. In fact, most people would prefer to retrain and get a start in a new industry in a brand new job rather than leave.

We found that a key driver for people to leave was that they wanted to carry on their profession in the forest and forest products industry. Therefore they would chase a job that was familiar to them. We found that those who did not want to shift felt that way largely because of family, schooling and connection to community. That is a good story for regional Australia. Our experience was very different to the drift and everyone saying, ‘This is a great opportunity, let’s go to the city.’ It was not like that. It was, ‘How do we stay here? What do we have to do to stay here?’

We are now running programs that are funded by employers, by companies that want to shut down a mill—the Dartmoor one was completely funded by Carter Holt Harvey. And the work we are doing in Tasmania is now funded through a federal government program. But you should be aware that the Victorian government had available for each individual worker up to \$30,000 of relocation assistance. That is hugely different from the pilot program you discussed in your first hearing—\$5,000 on average per head—and much different from the Job Services Australia amount of approximately \$1,000 per person.

In our submission we recorded in our work on Dartmoor and South Australia that most of those workers were not accessing the Job Services Australia relocation amount. They were not offered it. It was not seen to be part of the upfront, ‘Come in the door, we’ve a relocation package for you.’ So with \$30,000 to relocate workers, you actually learn a little bit about what motivates them, considering that only 10 per cent of the workers took advantage of it, and \$20,000 of it was basically to cover the cost of shifting house. That was all right when they were going from one region to another—quite often there was a match—but if they were to shift houses from regional Australia to a capital city, they said that the amount did not even touch the sides of the bucket cost-wise.

We found family was an issue and their connection to the community as well as the costs of shifting and the time and effort involved in relocation. A key factor was the destination to which they were heading. They were all factors affecting workers’ mobility, but ultimately we were quite surprised at how this particular group of workers—most of them were very stable in regional Australia for 40 or 50 years—were so immobile. They were prepared to change jobs and do a whole range of things, such as go down to one income—most of the time we talking about two incomes, one of which was lost—but they were not prepared to shift.

Our viewpoints in this matter are quite different from others, probably a little unique. We are not looking at those who fly in, fly out to Karratha and those being driven out to go to capital cities. We are looking at people losing their jobs in a high unemployment region and saying, 'What do we do next?' That is where most of our lessons have come from.

CHAIR—I have to say that what is most interesting about your submission is precisely that. It seems to us that even under the government's previous relocation program, one of the reasons why it succeeded where it succeeded was the preparedness or the role of a kind of mentor for an individual. That sounds like it is your experience as well.

Mr Hartman—Exactly. One of our models is worked on by a core group of people. The key part of the model in the Dartmoor mill, for example, was that we would find a community leader, usually an employee who had been made redundant and we basically employ them. Their mission in life for the next 12 months or two years, depending on how long we run the program for, is to look after all of the 120 people. They have a genuine interest and passion in coming up with a solution for each one of those people. That is a very different model than turning up at Centrelink and going through a registration process, and then being put onto a job service provider and going through another registration process, and then going on to a retraining program through an RTO and registration process. Each one of those people is a stranger and they are not necessarily committed to your long-term interests but rather are committed to getting their program through.

Our model requires a different funding stream, but we are highly successful because each person is individually mentored. A lot of that was counselling over the dinner table at night, and for the family as a group as well as helping them to make a career change, quite often, or a relocation change. A part of that program also involved a subsidy to the new employer. They got a 20 or 25 per cent subsidy for wages for three to six months. An interesting part of the mobility was that out of the \$30,000, \$10,000 of that was about helping them to shift. That might cover school uniforms, for example, and there was also a travel allowance that ran for three to six months. We found that a lot of workers tried the long-distance commute, even five days a week somewhere else and coming back. Once the subsidies stopped, they basically returned home and said that they then had to find some other work.

CHAIR—So each worker had an allocation of \$30,000?

Mr Hartman—Yes.

CHAIR—Was there a time criterion on how that was to be spent?

Mr Hartman—Under the Victorian program we were contracted by the Victorian government to provide services for three years. There was an extensive policy document so each worker was entitled to a range of things. Our job was to ensure that workers got their entitlements when they needed it. Obviously a lot of workers did not use everything that was available. Some workers found jobs almost straightaway themselves because they had connections, but a lot of workers took a lot of effort. Averaging out was really important.

CHAIR—Of the 10 per cent who chose to relocate, I think you said in your example it was because of their experience and history in the industry that they wanted to stay. Generally

speaking, was it about their skill level? For example, if I am a doctor, I can happily move and be a doctor in a community 30 or 100 kilometres away or in the city, but if I am a factory hand, then my prospects may be less glowing.

Mr Hartman—One of the features of the model we were running, and still run, is that we sit down with individual workers. Most workers think that they have not got skills, that their skills are absolutely specific. They say, ‘I am a timber worker. I can handle timber.’

CHAIR—‘I have lost my fingers. I know how to do the work.’

Mr Hartman—That is right. When you sit down with them you find that they have warehousing and logistics skills, transport skills, mobile equipment handling and load-shifting skills, and they have quality control skills. So we take them through an assessment process, usually with a registered training organisation.

CHAIR—Including an RPL, so that they would get credit for that.

Mr Hartman—Yes. Then they find, ‘Wow, we’ve actually got a whole range of skills, and that will allow us to get employment in other areas.’ It changes their thinking. A worker left by themselves or turning up to Centrelink basically would turn up and say, ‘I’ve got no skills. I have to start from scratch.’ They go to a TAFE and they are sat down in a classroom, and that is a big problem for them. They are at risk of going into long-term unemployment.

If they receive intervention, usually we did it in a group setting before the mill shut. We would go in there and say, ‘We’re here to look after you, and here’s the way we’re going to do it.’ We get a mindset that they have a range of skills. We also come into it with the philosophy that there are not many people who are completely unskilled. They have a whole range of health and safety and workplace orientations, and all those other skills.

CHAIR—What did you find, though, when they had a significant deficit in, say, literacy or numeracy?

Mr Hartman—We found them jobs that did not require—

CHAIR—So there was no additional training?

Mr Hartman—A lot of people who were changing careers were put through training programs. One of the lessons we learnt in trying to get RTOs to deliver in regional Australia, and this would be a strong recommendation for a fix, is that most registered training organisations get paid for funded delivery hours for a person, regardless of where they are and what skills they have been trained in. So it is not related to the cost of training or the difficulty in delivery. We think that it is no small accident that most of the skill shortage areas, if you look at skills, are in skills that are expensive to deliver.

One of our providers, for example, Box Hill TAFE that delivers in the pulp and paper sector of our industry, has 35,000 students. Their economics, if each student gets 1,000 funded hours at \$10 an hour, enables you to look at the cash flow of that scenario. But our RTOs that we get to deliver in regional Australia might get three, eight or 10 students and they have to drive to towns

in between, and they are in really difficult-to-deliver fields. It is not like you get 15 people learning hairdressing in one room. They have to be out in a factory environment, driving a forklift. In most states there is no differential cost in that at all. People in regional Australia find it harder to get their skills delivered. The more expensive the skills are, the less inclined RTOs are to deliver. That has been a key factor in skill delivery, what skills are in shortage and what skills are in oversupply.

CHAIR—Barry, do you have any questions?

Mr HAASE—I really do not. I think your exercise has been commendable and it is a great example of that experience and its effectiveness. This committee's challenge is to see how we can attract in the first instance, as opposed to deploying—your experience is significant, although not exactly in line with my personal ambitions as part of this committee.

Mr Hartman—Yes.

Mr HAASE—But a valid question I have is: do you have any knowledge or are you aware of any similar or reverse procedures that have been applied in Australia or overseas?

Mr Hartman—Not directly on that issue, but the flipside of what our industry goes through is pretty similar to the National Farmers Federation. For example, in regional Queensland recently a timber mill shut down because they could not get the labour to run the mill on a reliable basis.

Mr HAASE—Which mill was that?

Mr Hartman—Up Caboolture way.

Mr HAASE—Right.

Mr Hartman—So on the flipside of our industry, one of our activities relates to the fact that our industry struggles to attract labour. Part of our submission is about any policies or processes the committee might consider should take into account the skills drain that industries, such as the forest and forest products industries, experience when people get pulled out to live in other regional areas where there are higher paying jobs. Our industry suffers from critical skill shortages and labour attraction issues, which are pretty similar to what the farmers have been talking to you about.

CHAIR—Are they any good at workforce development planning?

Mr Hartman—No. The issue is that most of the businesses struggle with profitability. We did a four-year program in Tasmania that we are evaluating at the moment. One of the key factors we found was that profitability of enterprises affected their capacity to develop their workers and to provide training. We have noticed that in our industry. I noticed in one of your previous hearings the commentary that one of the problems in the mining industry was that they do not train enough and that a lot of poaching was going on. Our industry suffers a little bit from that same scenario. But I think that part of the solution is that regional Australia has to be made more attractive to live in.

If you can get training in regional Australia, it becomes a starting place for your career and that makes it more attractive. But our experience is that, if most people shift to regional Australia, they cannot get training. Most of the training happens in capital cities and then people have to migrate. If we could provide really good training solutions that would make a difference. For example, Tumut is part of our industry and there is a Tumut TAFE where people can get really good training. They are able to stay in that town rather than go to Sydney.

Another point that is not in our submission but is one of the things that we think you should have a look at is about shifting jobs rather than people—there are issues about labour force mobility but job mobility is a significant issue. It is about attracting industry to regional Australia. A good example of that would be frames and trusses for the building industry, which is a big sector for our industry. If you look at the Sydney market, most frames and trusses were built within the Sydney metropolitan area until the cost of doing that became too expensive. Now they are all delivered in regional Australia based around Sydney and they are trucked into Sydney. That means there are a lot of job opportunities in that sector within a band that is 300 kilometres outside of Sydney. They have done that through natural competition and cost advantages. But if anything, you could have a look at that. It makes it more attractive for business to be operating in regional Australia and you create a critical mass of people living there.

Housing is a big issue. Our industry has had growth as well as contraction. There are two brand new mills in Tasmania. The biggest issue for attracting labour was that they could not get housing. There were no houses to purchase. The only option for workers who wanted a job there was to commute. They said that they came from another town and they would have happily lived in that town, but there was nowhere to live, there was no land, and there were no options. It is not as though the cost was too high: there absolutely were no houses to move into or to purchase, and there was no land on which to build a house because of land release issues.

What would help our industry and other industries as well as new industries, and what we would encourage, are policy settings that would be attractive for businesses to start up. A company in Tasmania, Ta Ann, which is a Malaysian plywood company with two new sites, said that they would happily do anything they could to provide housing for workers, but there was virtually nothing they could do. We find that employers are quite receptive to employer incentives that would help regional areas of Australia to develop. Employers say that they want to provide a community experience for their workers to attract them, but the way it is currently it is almost impossible to do that in regional Australia.

CHAIR—In terms of identifying the barriers to that, though, are you saying the barriers are the slowness of local government's decision making and its lack of planning for the future, or is it more complex than that?

Mr Hartman—In our experience, a company will put in place a business structure first and then worry about the people last. They do that because there are trees or there are resources and they find a site that they build on. The council does not have much time to plan, but then it comes to building houses people just come into the town and say, 'Yeah, I'll have a job. Where's a house?' There is not a house, so they leave and the company is not able to attract people.

I do not know exactly what the barriers are, except that they do not get a lot of lead time. A company that decides to expand a timber mill to three times its capacity, like Hyne Timber did in Tumberumba in New South Wales, cannot get people when they put a call out for workers, and then they say there are housing, schooling and child-care issues and medical or doctor access issues. It is a critical mass thing. If we can get more business and more industry in regional Australia, we need to put regional Australia in a growth and development pathway. I am talking about traditional regional Australia rather than Western Australia, which is now turning to traditional because some of the mining towns have been there for many years.

CHAIR—Or worse—they get terribly big, like they did in my town, where the state and local government put in all the infrastructure and then the company packed up and left.

Mr Hartman—Yes.

CHAIR—The committee and I really appreciate your attendance and your submission. I am glad you had the opportunity to listen to some of the discussion with the National Farmers Federation. It would not surprise me if we come back to you with more questions or requests for information, particularly on the model you were talking about for relocation, the costs and so on. I cannot recall off the top of my head if you have offered, or we have asked for, additional information. If we have, we will be chasing you up for that.

Mr Hartman—Okay.

CHAIR—Thank you very much for appearing before the committee today.

Mr HAASE—It was very good.

Mr Hartman—Thank you.

Resolved (on motion by **Mr Haase**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.39 pm