

Jobs Australia Submission to Senate Standing Committees on Economics Inquiry into Regional Inequality in Australia

December 2019



Jobs Australia

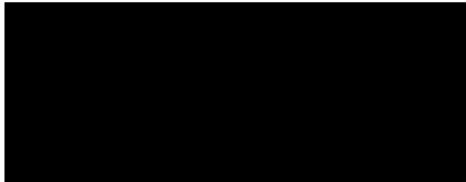


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Thank you for the opportunity to make this submission on behalf of Jobs Australia's members.

Sincerely



Debra Cerasa
CEO, Jobs Australia



1. About Jobs Australia

Jobs Australia Ltd is the national peak body that represents not for profit member organisations who deliver Employment Services programs and not for profit community sector associate members who deliver employment support services and social services all over Australia.

Jobs Australia's expertise is in employment services and is complemented by knowledge and experience of the work of the community and social services sector. Jobs Australia members and associate members provide the best possible assistance to disadvantaged communities and people.

2. About this Submission

The views expressed in this submission are the views of Jobs Australia. While our views are informed by our consultations and meetings with our members that deliver services where income management occurs, they should not be taken to be the views of any provider or group of providers.

3. Introduction

Jobs Australia welcomes this opportunity to make a submission to the Senate Standing Committee Economics inquiry into Regional Inequality in Australia. Jobs Australia will reflect on matters aligned with addressing unemployment as they relate to the Terms of Reference.

Regional inequality remains an enduring issue with many regional areas experiencing high levels of unemployment and associated indicators of disadvantage.

Regional areas experience greater levels of unemployment and lower incomes with greater expenses when compared with metropolitan regions in Australia.¹ Regional students are on average eight months behind their metropolitan counterparts.²

There is generally a greater rate of health-related issues among those residing in regional Australia, with the total burden of disease being 1.4 times greater. The number of health services per capita diminishes in line with increased remoteness. The rate of suicide is also greater in regional Australia.

Many of these trends are entrenched in rural and regional Australia and are indicative of longstanding inequality in service access, opportunity and health.

Generating greater opportunities for employment within the regions will contribute to greater advantage and a reduction in inequality.

¹ AIHW 2019. Rural and Remote Health. 22 October. <https://www.aihw.gov.au/reports/rural-remote-australians/rural-remote-health/contents/profile-of-rural-and-remote-australians>

² The Guardian 2019. Poor and regional Australian students lag behind richer peers, report finds. 1 December. https://www.theguardian.com/australia-news/2019/dec/01/poorer-and-regional-australian-students-lag-behind-richer-peers-report-finds?CMP=Share_iOSApp_Other

4. Response to Terms of Reference

4.1 REGIONAL DEVELOPMENT POLICIES

Regional Development policies can play a crucial role in increasing employment in low employment areas through the development of business opportunities and/or infrastructure which contributes to local economies. With suitable oversight and clarity of purpose, these policies can likely generate positive local outcomes.

The most recent iteration of regional development policies, the Regional Jobs and Investment Packages (RJIP) experienced a range of limitations in process and uncertain outcomes according to the Australian National Audit Office (ANAO).³ The processes applied in determining successful applicants has been criticised and specifically, there was a lack of emphasis and subsequent priority on elements relating to the number of jobs generated by the various proposals.

Additional to the recommendations and findings from ANAO, future endeavour in this space should prioritise and demonstrate an alignment between the proposal and increased local employment in the nominated regions.

Recommendation 1: Future regional development policies should prioritise employment throughout the tender and review process.

4.2 ENHANCING LOCAL WORKFORCE SKILLS

There is great diversity in the composition and capability of communities across regional Australia. A number of regions enjoy the benefits of a robust local industry while others are characterised through entrenched long-term unemployment and subsequent gaps in relevant skills necessary to generate employment.

Furthermore, a number of regions experience low levels of employment opportunities, effectively locking out the advancement of disadvantaged cohorts through employment by a near absence of opportunity. This is exacerbated by the low year 12 completion rate (28 percent) which is twice the metropolitan average of 14 percent.⁴ The outcomes relating to VET are more promising however a mismatch between skills and demand is evident in some regions.

Specific issues impacting upon regions to varying degrees include:

- Challenges associated with an ageing and transitioning workforce;
- Some regions experiencing disproportionately high youth unemployment levels;
- Pre-existing entrenched disadvantage;
- Decreasing portion of tertiary qualifications associated with remoteness; and

³ ANAO 2019. Award of funding Under the Regional Jobs and Investment Packages.

<https://www.anao.gov.au/work/performance-audit/award-funding-under-the-regional-jobs-and-investment-packages>

⁴ Houghton. K. 2019. The future of regional jobs. Regional Australia Institute. Canberra.

- Systemic delays amounting to lost opportunities in responding to new and emerging industries.⁵

Reflecting on national predictors of employment up to 2023, regional Australia lags behind capital city growth with an increase of 5.7 percent compared to the metropolitan prediction of 7.8 percent⁶. The impact of lower growth in regional communities already straining under higher levels of unemployment perpetuates and anchors disadvantage.

Aligning the provision of VET with current and emerging industry, including the burgeoning services industries would assist in increasing employment and therefore reducing inequality.

4.3 THE EMPLOYMENT ARRANGEMENTS

As indicated, there is significant variance in the employment rates and related disadvantage across the regions. To that end, it is ill advised to prioritise a top down approach. Focus should lie with local place-based solutions, targeting areas experiencing high levels of disadvantage, which specifically address the drivers of disadvantage.

The design of the Regional Employment Trials Program (RET) appears promising, seeking to encourage collaboration and innovation among necessary stakeholders, including employment services. As of 31 October 2019, \$5.9M had been expended across 53 projects with an expectation of employing 4200 job seekers.⁷ This program should be evaluated, with the design of effective local solutions promoted widely.

A focus on at risk cohorts is required, with some regions experiencing extreme levels of disadvantage. For instance, the Brotherhood of St Laurence notes that the majority of high youth unemployment hotspots are in regional areas, including Coffs Harbour (23.3 percent), Queensland Outback (25.7 percent) and Bendigo (18.3 percent)⁸; these rates are far beyond the national youth unemployment rate of 12.4 percent (seasonally adjusted)⁹.

Similarly, approximately half of all Newstart recipients are aged 45 years and older with an increasing likelihood of being on Newstart commensurate with remoteness.¹⁰ While the government is to be commended for the national roll out the Career Transition Assistance Program (CTA), which provides training for eligible job seekers over 45 years of age, the program is currently facing systemic issues and is under subscribed. Additional resourcing is required to create the necessary referral processes.

⁵ *ibid*

⁶ DESSFB 2019. 2019 Employment Projections – for the five years to May 2024; Regional projections – five years to May 2023. <http://lmip.gov.au/default.aspx?LMIP/EmploymentProjections>

⁷ DESSFB 2019, correspondence, 2 December.

⁸ BSL 2019. Smashing the Avocado Debate. Australia's Youth Unemployment Hotspots.

http://library.bsl.org.au/jspui/bitstream/1/11134/2/BSL_Smashing_the_avocado_debate_youth_unemployment_hotspots_Mar2019.pdf

⁹ ABS 2019. 6202.0 – Labour Force, Australia, Oct 2019.

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Oct%202019?OpenDocument>

¹⁰ Grattan Institute 2019. Five charts on what a Newstart recipient really looks like.

<https://grattan.edu.au/news/five-charts-on-what-a-newstart-recipient-really-looks-like/>

A greater alignment of resources and focus to support these and other at-risk cohorts should be prioritised, through either existing programs such as RET or additional endeavour. Programs with promise such as CTA require the necessary changes to maximise referral and engagement.

Recommendation 2: The Regional Employment Trials Program be reviewed with a focus on it's impact in achieving sustainable employment of the long term unemployed in selected regional areas.

Recommendation 3: Modifications be made to the referral process of the Career Transition Assistance program to increase job seeker engagement.

4.4 ANY OTHER RELATED MATTERS

Digitisation and automation

The impact of digital technology and automation remains an issue of debate with a range of experts predicting varying outcomes in the labour market. It seems likely that low skilled manual labour may be superseded by automation generating risks for various cohorts with limited skills who may experience difficulties transitioning to a marketplace where soft skills, such as education and healthcare, are in ascension. Preparation through targeted support to at risk cohorts should be prioritised as changes in the composition of industrial demand for specific skills may rapidly progress.

Related to the above, the New Employment Services Trial (NEST) is currently trialling a new system of mainstream employment service support in two regions in Australia. NEST involves the introduction of digital self-servicing for job seekers who are digitally capable and job ready. While the new system is in the early trial stages and not scheduled for national implementation until 1 July 2022, there are a number of pervasive concerns with the expectation that a large portion of job seekers will be accessing employment support solely through a digital platform. These include:

- the lack of face-to-face support;
- issues with the accuracy of the assessment process, with the risk of unsuitable job seekers being corralled into digital self-service;
- access to suitable hardware coupled with the associated costs of online access;
- diminishing reliability due to remoteness; and
- the risk of an overall reduction in support for vulnerable job seekers.

The encroachment of digitalisation in the broader welfare sector carries a number of risks which are enhanced in the context of supporting vulnerable cohorts, including job seekers, in rural and regional areas of Australia.

Social enterprise

An increased focus on developing relevant social enterprise capacity in regional areas with low employment rates would provide the opportunity to increase the income, skills and employment experience of long term unemployed at-risk job seekers as well as contribute to the local economy. Evidence indicates that employment-based social enterprises generate benefits beyond the

individual to their families and beyond as well as responding to economic weakness in 'rural, regional and remote communities'.¹¹

Procurement

The development of procurement policies in cases for significant infrastructure builds in regional areas should be progressed to generate increased utilisation of local workforces including cohorts such as long-term unemployed job seekers and related groups experiencing disadvantage. Currently Victoria maintains a procurement policy which, at certain thresholds, ensures that business meets various social objects.¹² A consolidation of procurement practices relating to rural and regional Australia would create certainty for business and allow for greater strategic planning for employment services.

Inadequacy of Newstart

Raising the rate of Newstart would affect a local stimulus in areas experiencing high levels of unemployment as the increase would largely be instantaneously spent locally. High unemployment areas would experience improved economic conditions which could lead to expansion in local business with positive ramifications for employment. Separately, increasing Newstart would significantly reduce the experience of acute inequality and disadvantage.

5. Conclusion

The benefits of increasing employment through the range of means canvassed in this submission would have broader positive impacts upon the economy, with research indicating that a reduction in the unemployment rate by half a percentage point would lead to the employment of approximately 70,000 people, leading to an additional \$10 billion in additional production.¹³ Capitalising on these benefits in regional areas experiencing disadvantage should be a priority and can lead to significant improvements in the social and economic circumstances of many Australians.

This submission sets out a range of issues and solutions to reduce unemployment and subsequent inequality in regional Australia.

¹¹ Qian, Joanne; Riseley, Emma and Barraket, Jo. 2019. Do employment-focused social enterprises provide a pathway out of disadvantage? An evidence review. Australia: The Centre for Social Impact Swinburne.

¹² Victorian Government 2019. Social Procurement Framework requirements and expectations. <https://buyingfor.vic.gov.au/social-procurement-framework-requirements-and-expectations>

¹³ Richardson, D 2019. Tolerate Unemployment, but Blame the Unemployed. The Australia Institute. Centre for Future Work. <https://apo.org.au/sites/default/files/resource-files/2019/11/apo-nid267876-1398546.pdf>