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REGIONAL SKILLS RELOCATION

A QUEENSLAND GOVERNMENT SUBMISSION TO THE COMMONWEALTH INQUIRY

April 2010

INTRODUCTION

The House of Representatives Standing Committee on Employment and Workplace Relations has invited submissions into the inquiry into 'regional skills relocation'.

The Terms of Reference for the inquiry are to inquire into and report on

“the 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”

This submission will highlight the particular issues Queensland has due to the highest population growth of any state in Australia over a prolonged period of time, the challenges that come with a decentralised population, and some of the actions the Queensland Government has taken to address these issues. It is important to note that in the past there has been discussion around skill shortages; however current projections are that Queensland will again not only face skill shortages, but also labour shortages.

Prior to the Global Financial Crisis (GFC), Queensland was experiencing labour and skills shortages throughout the state and in almost every industry. With the current number of major infrastructure and resources projects, either commenced or commencing in the next 12-18 months throughout Queensland, it is expected to create a huge demand for workers, particularly in regional and remote areas. Attached are several maps to give the Committee some idea of areas throughout the state that have resource development, operating and under construction, which will require a large and diverse number of workers. It is expected that as the mining sector gears up Queensland and Western Australia will once again be competing for skilled mining workers. Along with this considerable number of already operational and planned projects is the state funded \$18 billion building and infrastructure program and the Federal Government nation building infrastructure program. Much of this development will occur in regional Queensland and will require a large number of skilled workers.

BG Group and China National Offshore Oil Corporation have recently announced a \$60 billion liquefied natural gas contract based on coal seam gas. At its peak the work involved in construction of the plant in Gladstone, gas fields in Chinchilla and Miles and construction of the pipeline, it will have a maximum workforce of 8,500 and once operational the project will employ 1,000 people. This project alone will put a considerable strain on the local labour market and the search for appropriate skills in the Surat Basin, Bowen Basin and Gladstone regions in particular. Even through the GFC these areas experienced below state average unemployment levels.

The unemployment rate in the Bowen Basin (Mackay-Fitzroy-Central West) is currently 5.1 percent, providing some scope for use of local labour supplies in meeting needs; however this will not meet projected demand and will require investment in job readiness and skills development, as well as attracting additional labour and skills to the area.

The Surat Basin (Darling Downs-South West) statistical region currently has the lowest unemployment rate in Queensland at 3.0 percent providing limited scope for utilisation of local labour supplies. Education levels in the region are lower than the Queensland average, with fewer achieving year 11 or 12. While this provides some opportunities to further skill local residents, in the short term, attracting skills and labour to the area will be critical to the ability of companies and governments to deliver on major projects.

Conversely the Wide Bay-Burnett region is currently experiencing high levels of unemployment (7.1 percent) and low levels of labour force participation notionally supporting the possibilities for effective regional relocation strategies for the jobless.

The research shows, and the Queensland experience confirms, that unemployed people with skills are likely to relocate anyway if there is no future in the area they live in, if there is enough financial benefit to entice them to move or if their lifestyle is enhanced. The experience in the resources industry shows that workers will follow high paying jobs – market forces will create relocation incentives for these workers. However the lower paying jobs, able to be filled by low skilled workers and/or the unemployed do not appear to be attractive to support the relocation of individuals and their families. It is likely that these jobs will continue to be difficult to fill in an area with low unemployment and high labour market participation.

The structure of this submission to the Committee is as follows:

- An outline of economic and population growth in Queensland over the past few decades including the geographical mismatch of labour demand and labour supply.
- The preferred strategy of the Queensland Government to embed workforce planning into a regional economic development framework, including specific strategies to raise participation and promote mobility amongst the long-term jobless.
- An example of a co-ordinated regional approach being developed for the Surat Basin is highlighted. This approach seeks to maximise the economic benefits, minimise any unintended consequences of rapid growth and meet labour demand through a variety of strategies including attracting new labour.
- Opportunities and challenges in engaging the unemployed in relocation schemes.
- Some suggested approaches to incentives that could be considered to build more mobility into the workforce to cover locations with labour market and skill shortages.

1. QUEENSLAND'S GROWTH

For much of the past two decades Queensland has led the nation in economic and population growth. Attracted by employment and lifestyle opportunities, interstate and overseas migrants continue to arrive in large numbers. Accompanying strong population growth has been significant economic growth. Between 1988-89 and 2008-09, the Queensland economy grew at an average rate of 4.4 percent compared with 2.9 percent for the rest of Australia (in chain volume terms). At the same time Queensland's population has grown from 2.6 million people in 1986 to 4.4 million people in 2009.

The Queensland economy has surged to record levels in recent years with unprecedented demand for Queensland's natural resources driving growth across all sectors. The impacts of the mining boom have been felt across the board through strong employment growth, rising labour force participation rates and record low unemployment. However this growth has not been equal across Queensland's regions, nor in some instances has it matched population settlement patterns.

With skills and labour shortages impacting on economic growth, the Queensland Government implemented strategies to attract skilled migrants to the state and improve the skills and qualification levels of Queensland's population. Queensland also recognises that attracting and retaining skilled workers, particularly in the regions, is an essential part of the strategy for planning for Queensland's future economic growth.

It is essential that in regions experiencing rapid economic growth and labour market demand, a good Regional Plan is developed which is underpinned by a dynamic labour market strategy.

2. QUEENSLAND'S DECENTRALISED POPULATION

Seventy percent of the population growth has occurred in the south east of the state; however Queensland has also experienced strong growth in regional centres along the east coast and in mining regions in recent years.

Queensland is Australia's most decentralised mainland state, with 40 percent of the population living in regional and remote areas. By comparison, the proportion of residents living in regional and remote areas in Western Australia is 28.3 percent, 27.3 percent in South Australia, 27.4 percent in New South Wales and 25.3 percent in Victoria (ABS, 2006 Census of population and housing, unpublished data).

Recently the Queensland Government commissioned a survey of 580 households across seven regions to gain insights into the drivers for regional population movements. Survey participants were people who had moved to one of the seven target regions within the past five years. The target regions were Cairns, Townsville, Mackay, Gladstone, Rockhampton, Wide Bay Burnett, Toowoomba and South East Queensland (SEQ).

The research indicated that employment opportunities as well as lifestyle and family reasons remain the key drivers for people moving to regional Queensland, more than it was for people moving to Toowoomba and SEQ.

This sends an important message that people will follow jobs, particularly high paying jobs. However there is further research to indicate that this does depend on the level of education and income of the worker. If the objective is to encourage people to relocate to regions there must be the services and infrastructure to accommodate those relocating.

Partnerships and coordination across the three tiers of government and with industry and the community are vital for achieving this. It requires communities to embrace new residents, industries to invest in social and community infrastructure and for new residents to have a stake in the future of their community. It requires people to be able to find affordable housing and a job for their partner, to access quality schools and healthcare, to have a range of transport options and not be disconnected from their family and social support networks.

Several areas in Queensland have a high level of unemployment that are GFC related including Far North Queensland and parts of the Sunshine Coast. While these areas have vulnerable economies and suffer "shock" induced unemployment, generally labour demand and supply is reasonably matched. Traditional 'hot spots' in South East Queensland such as the urban fringe of Logan and Caboolture and the Wide Bay-Burnett region also continue to experience higher unemployment rates than the state average. In these areas the potential labour supply exceeds the demand for low skilled labour. These communities are more likely to have unemployed individuals who if offered sufficient incentive and support may choose to move to areas where they can get and continue to compete for jobs.

3. MANAGING RAPID GROWTH IN QUEENSLAND'S REGIONS

The development of the coal and gas reserves of the Surat Basin is leading to substantial growth in this region and is likely to provide significant economic benefits to Queensland over the next decade. However, similar experience in the Bowen Basin showed that a coordinated, region-wide approach is essential to address the challenges and maximise the opportunities of rapid growth. Without adequate planning at a local level, rapid growth places considerable pressure on economic and social infrastructure. For this reason the Queensland Government has developed a specific strategy for the Surat Basin based on projected future growth in the resources sector.

THE SURAT BASIN STRATEGY

In the Bowen Basin, rapid population growth associated with the booming resources sector led to liveability issues such as problems with road safety, high cost of housing and a lack of medical services. Workers chose to live and work elsewhere, which in turn led to skills shortages and a decline in economic diversity in the local area.

Taking a proactive approach to address similar issues in the Surat Basin, the Queensland Government has launched the *Surat Basin Future Directions Statement*. The Statement seeks to both maximise the economic and employment benefits and minimise the unintended consequences for regional communities and industries from the rapid growth being generated by investments in the resources sector.

The development issues faced in the Surat Basin are not unique in Queensland, therefore the Queensland Government has committed to preparing a generic Cumulative Growth Management Framework that can be used in any region in Queensland. The framework is currently under development in cooperation with local government, industry sectors and the community.

Regional consultations have continued around the *Surat Basin Future Directions Statement* over the past few months with the key outcome being the establishment of a Workforce Development Leaders Group which will convene on 28th April 2010 for its first meeting. The group consists of Industry, Community and government agency representatives who have been tasked with developing a Workforce Development Plan by the end of December 2010.

The Surat Basin requires a long term strategy that will involve commitment from all levels of government, industry and the local community working together to ensure stakeholders are committed and empowered to achieve the necessary outcomes for their respective interests.

ABS Statistical Labour Force data for the Surat Basin region as at February 2010:

Population: 206,100 persons

Labour Force: 137,100 persons

Participation Rate: Surat Basin - 66.5%, Qld - 67.4%

The *Surat Basin Future Directions Statement* can be found at <http://www.regions.qld.gov.au/dsdweb/v4/apps/web/content.cfm?id=15175>

In recognition of the significant issues Queensland faces in managing population growth, particularly in the South East corner, the Queensland Government hosted a Growth Summit at the end of March 2010 to identify solutions for improving the delivery of and enhancing our growth. The Queensland Government would be happy to share outcomes from the Summit that relate to labour mobility with the Committee once they are collated.

4. CHALLENGES AND OPPORTUNITIES IN ENGAGING UNEMPLOYED PEOPLE IN CONSIDERING RELOCATION

The issues around 'bringing in labour' are many and complex and before a decision is made to do that, some key issues for consideration are:

- Training and upskilling of local people in skill shortage areas should be funded as a priority – the issue of how and where the skills are provided will require a diverse range of options to ensure appropriate modes of training are available and tailored to suit individuals and industry.
- Upskilling of existing workers provides the opportunity for the less skilled to move into a job at a higher skill level making room for new entry level workers. This approach requires the targeting of individuals and training opportunities and provides a pathway approach to workforce development, increasing labour market participation, skills development and productivity.
- The role of fly in/fly out (FIFO) and drive in/drive out (DIDO) workforce acknowledges that in some instances this is the best option for a section of the workforce, and that not all communities will have the services or infrastructure to cope with a large influx of additional workers on a semi-permanent basis. The role of FIFOs and DIDOs is particularly important in regionally diverse states such as Queensland where many workers commute not from the capital city, but from major regional centres. Increasing the regional centres from which these workforces are drawn supports regional and economic development for these areas as well as relieving population pressures in the South East corner. Discussion with the companies who have a large FIFO and DIDO workforce may help to mitigate some of the perceived negative impacts. These discussions should include strategies to draw on new regional centres which are closer to the new developments, and to look at increasing local acceptance of commuting workers.

Mobility and attraction strategies need to operate at two levels. Firstly, as outlined previously, regional liveability and the provision of the range of social and physical infrastructure must be available. Secondly there are a range of strategies targeting the individual including appropriate training and up-skilling, "wrap around support services" and appropriate incentives to motivate a desire to relocate. There is no one answer to addressing these issues; it will require effort from all levels of government, industry, communities and individuals.

Many people who have been unemployed for any length of time have little or no resources to relocate and won't consider doing so unless they are guaranteed a job when they get to the location. Information about job duration and remuneration is important. Most don't have the funds to relocate even if a suitable job is available and require a range of support, including financial support. It is also necessary to recognise that to accelerate regional skills relocation, those hardest to move may need additional/different incentives to do so. There are many

existing opportunities however more consistent effort in marketing and resourcing movement is required to capitalise on these opportunities, for instance:

- Development of “Jobs Package/s” such as those given to migrants on temporary skilled visa, including a job, accommodation and transport. The Employer Broker Panel or the Innovation Fund Panel members could be tasked with working with employers, employment service providers and community organisations to develop an appropriate Jobs Package addressing the most important immediate concerns of people who relocate.
- All levels of government should look at ‘family job packages’, ensuring that partners and families of workers coming into the area have employment opportunities also.
- Small no-interest loans by employers or community organisations could also be considered to offset the cost of relocation.
- Tax Incentives – Attachment 1 provides a broad insight into some of the overseas experiences and also provides some options for incentives for individuals to re-locate. Queensland’s experience is that unless incentives are specifically targeted, they may not have a great deal of impact. For instance the incentives required to attract unemployed may be quite different to the incentives required to attract highly skilled workers.

In developing strategies, it will be necessary to look at who might be easier to relocate and develop tailored strategies for these groups such as:

1. **Migrants/refugees** who are currently located in areas of high unemployment may be encouraged to relocate to rural areas with labour and skill shortages, particularly if they originally came from rural communities. Governments will need to consider secondary stage re-settlement services that provide support with the training, relocation costs and integration into the new area.
2. **Young people** may be more flexible about moving to a job in a labour and skills shortage area, particularly if incentives offered can reduce or eliminate Higher Education Loan Program (HELP) fees and other training costs, promote low cost information technology and other solutions to maintain contact with family and friends and attractive working conditions.
3. **Retrenched workers**, particularly in depressed areas – Job Services Australia could pick up these people immediately and match to skill/qualification requirements in regional areas. Government supports the cost of retraining and relocation
4. Incentives to entice **older, skilled workers** back to the workplace could be achieved through tax or training incentives or both, but more particularly educating business about flexible and age-friendly workplaces that may be attractive to older workers, grey nomads and semi-retired people.

Often the shortage of available and appropriate accommodation in regional areas experiencing labour and skill shortages can lead to the cost of local accommodation being prohibitive for the average worker. During the resources boom in the Bowen Basin accommodation was so scarce, and therefore prohibitively expensive, that low skilled and average workers were priced out of the real estate market, in both purchasing and rental. This also included permanent local residents.

Ongoing commitment by all levels of government in the local area is essential to ensure the necessary commitment and synergy required is maintained to adequately resource, manage and monitor issues relating to regional skills relocation. Effective strategies will also require

partnership and collaboration with industry and employers – maximising incentives at regional, employer and individual levels.

5. CONCLUSION

Queensland stands ready to assist the Federal Government to look at ways of addressing skill shortages in regional Australia to ensure ongoing economic growth in Queensland. With the large number of major projects already approved for Queensland, largely in regional or remote areas of Queensland, skill shortages are already being felt in some specialist occupations with the expectation that this situation will only worsen when these projects are performing at their maximum level.

Queensland is currently devoting significant considerable funding and resources to address existing and potential skill shortages throughout the state. Consultation continues with industry, communities, peak industry bodies, employer bodies, and all levels of government with innovative strategies like the *Surat Basin Future Directions Statement* being implemented.

I trust you will find this submission informative and useful and look forward to working with the Federal government to address these issues.

Attachment 1

Overseas experience with Special Economic Zones

Special economic zones/regions offering various taxation concessions and sometimes other business incentives in specific local areas and regions have been commonplace in both developed and developing economies since the early 1980s. The use of tax incentives in particular was pioneered in the western world by the Thatcher Government in Britain and the Reagan Administration in the USA from 1981 onwards and later adopted by Canada. Continental European governments have been less willing to embrace the concept of tax concessions, preferring to promote regional development through non-tax forms of assistance. Since the early 1990s, European Union regulations have prohibited member governments from offering tax or other incentives to areas outside of Community – wide frameworks such as the European Regional Development Fund.

The developing countries of Asia have used low-tax incentives extensively since Singapore's experiment with a low tax environment in the late 1960s. The application of tax incentives to localised areas within Asian economies was pioneered by China in the early 1980s and has since been followed by others, most notably India and Malaysia.

Research into the effectiveness of regionally specific tax incentives across all countries has consistently demonstrated that in and of themselves such incentives have rarely resulted in substantial and sustained improvements in economic growth, employment or average incomes. In a small minority of cases tax incentives used in isolation appear to have produced small positive benefits through being particularly well designed and targeted. However, most of the overseas examples have related to incentives for business, rather than for individuals. A key conclusion from all countries where incentives had been used was that any incentives must be targeted, long term and have clear and tight guidelines.

Some options for incentives to be considered could be:

- Costs of moving expenses
- Contribution to costs of sale of previous property
- Contribution to costs of connection of utilities
- Contribution to costs of travel expenses en – route to new location
- Change FBT conditions to support subsidised housing, subsidised electricity, subsidised child care etc to recognise the unique importance of working and living in harsh climatic areas where the quality of life is significantly reduced
- Increase child care rebates in these areas
- Once employed in a skill shortage location, extension of benefits such as rent assistance, health care cards, family tax benefits, child care rebates for a 3 - 6 month period
- Additional salary packaging options to include private health, mortgage, electricity and gas up to a maximum amount
- Increase level of funding for Productivity Places Program in regional and remote areas to ensure training becomes more important

Where applicable any of the above could be means tested to ensure the assistance was received by those who were most in need and who may not have the means to re-locate without some degree of assistance.

This list is not exhaustive, but directly targets individuals and would provide financial incentive and personal incentives to relocate.

