

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

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Summary



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REGIONAL DEVELOPMENT ADVISORY COUNCIL'S SUBMISSION

to

**NSW Legislative Council's
Standing Committee on State Development
Inquiry into Skill Shortages in Rural and Regional NSW**

at

**Queanbeyan on Monday 13 February 2006
The Committee will meet with the Regional Development Advisory Council at
2.00 pm**

Participants:

Sue Whelan, Chair, Regional Development Advisory Council
Clinton White, Executive Officer, Capital Region Development Board

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- a) The current and future demand for labour
 - b) The economic and social impact of skills shortages
 - c) The strategies and programs of local governments to retain and attract skilled workers including opportunities for strategies and programs in conjunction with non-government bodies such as regional business organisations and Area Consultative Committees and Regional Development Boards.
 - d) Consider appropriate models from other States in interacting with the Commonwealth's skilled regional migration programs.
 - e) Coordination between Local, State and Commonwealth Governments to attract and retain skilled workers.
 - f) The impact of the Commonwealth's regional migration programs including assessing the long term jobs and investment outcomes and considering possible recommendations to encourage sustainable regional development in NSW.
 - g) The adequacy of current measures used to record and report on the skills shortage.
 - h) The methods used by training organisations including TAFE to assess skill needs in rural and regional NSW and their response to identify needs.
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1. INTRODUCTION TO THE REGIONAL DEVELOPMENT ADVISORY COUNCIL (RDAC)

The Regional Development Act 2004 provides for the establishment of the Regional Development Advisory Council and members are appointed by the Minister for Regional Development, Minister for Illawarra and Minister for Small Business.

The Regional Development Advisory Council is an independent advisory body that makes recommendations to the NSW Minister for Regional Development on regional development issues. It also advises on ways in which the Government and communities can work together to strengthen the capacity of communities to respond to local issues.

The Regional Development Advisory Council is supported by the Department of State and Regional Development (DSRD) and consists of the chairpersons of the thirteen NSW Regional Development Boards.

The Regional Development Advisory Council has the following functions:

- (a) to advise the Minister on any matter that is referred to it by the Minister; and
- (b) to advise the Minister on any other matters it considers relevant to providing a framework for strategic intervention in the economies of regional New South Wales for the following purposes:
 - to help fill gaps left by the market system;
 - to promote economic and employment growth in regions;
 - to assist regional communities to capitalise on their regional strengths, to broaden and reposition the industry base of their regions and to develop new products and new markets; and
 - to develop regional or local solutions for regional or local business development problems.

The current members of the Regional Development Advisory Council are:

- **Sue Whelan**, Chair of the RDAC, Councillor, Greater Queanbeyan City Council (Capital Region Development Board)
- **Dale Budd**, Principal, Dale Budd and Associates, (Capital Region Development Board)
- **Neville Gasmier**, Centre Manager, Far West Community Legal Centre (Far Western Regional Development Board)
- **John Dawson**, Executive Chairman, Stevens Group (Business Central Coast)
- **Sandy Morrison**, Principal, Hermes Poll Dorset Stud (Central Western Regional Development Board)
- **Frank Gelonesi**, Director, Gelonesi, DeBortoli & Co. Chartered Accountants (Greater Western Sydney Economic Development Board)

- **John Tate**, Mayor, Newcastle City Council (Hunter Economic Development Corporation)
- **Garry Langton**, Manager, BHP Flat Products, (Illawarra Regional Development Board)
- **Jan Strom**, Consultant, JAK Promotions, Australia (Mid North Coast Regional Development Board)
- **Tim Sheed**, Manager, Sheed Agriculture (Murray Regional Development Board)
- **Meryl Dillon**, Partner, KP & ML Dillon Property Investment (New England North West Regional Development Board)
- **Margot Sweeny**, CEO, Summerland Credit Union (Northern Rivers Regional Development Board)
- **John Walkom**, Company Director, Techni-Clean (Orana Regional Development Board)
- **John Dal Broi**, Councillor, Griffith City Council (Riverina Regional Development Board)

2. TERMS OF REFERENCE

The Regional Advisory Council has sought information on skills shortages in NSW from the Department of State and Regional Development (DSRD) and all regional economic development boards to address the following terms of reference:

- a) The current and future demand for labour.
- b) The economic and social impact of skills shortages.
- c) The strategies and programs of local governments to retain and attract skilled workers including opportunities for strategies and programs in conjunction with non-government bodies such as regional business organisations and Area Consultative Committees and Regional Development Boards.
- d) Consider appropriate models from other States in interacting with the Commonwealth's skilled regional migration programs.
- e) Coordination between Local, State and Commonwealth Governments to attract and retain skilled workers.
- f) The impact of the Commonwealth's regional migration programs including assessing the long term jobs and investment outcomes and considering possible recommendations to encourage sustainable regional development in NSW.
- g) The adequacy of current measures used to record and report on the skills shortage.
- h) The methods used by training organisations including TAFE to assess skill needs in rural and regional NSW and their response to identify needs.

(a) The current and future demand for labour.

Skills shortages are a national issue but are particularly significant in remote and isolated areas. Skills shortages in regional NSW have primarily been defined by regional economic development boards through information obtained by: direct notification from employers who are experiencing skills shortages; documentation of occupations which are known to be in short supply nationally; Regional Development Boards conducting skills audits/surveys; and anecdotal evidence from regional bodies including local government. Details are tabulated below.

Skills Shortages by Region

Region	Identified Skill Shortages
Business Central Coast	Automotive repair industry; metal trades; tourism and hospitality; and construction.
Capital Region	Shortage in various areas of skilled employment, primarily in vocationally trained occupations as well as university trained occupations.
Central Western	Boilermakers and welders.
Far Western	Automotive mechanics; carpenters nurses; commercial cookery staff; community service workers; electricians; engineers; fitters and turner; hairdressers; hospital machinists; metal fabricators.
Greater Western Sydney	Auto/aerospace; building/construction; engineering; manufacturing; and transport/logistics health/community services; information communication technology.

Hunter	Boilermakers; electricians; engineers; fabricators; labourers; machinists and post trade level.
Illawarra	Aged care nurses; boilermakers; chefs; electricians; engineers; fitters and turners; registered nurses; truck drivers.
Mid North Coast	Cabinet making and joinery; laminators, metal fabrication, metal fitting and machining, spray painting, textile fabricators and welding.
Murray	Accountants; boilermakers chefs; motor mechanics; registered supervisory level staff; nurses and welders.
New England North West	Tradespersons and medical professions such as doctors and dentists.
Orana	Business services; electrical trades and electronic technology; hospitality; manufacturing machine operators and mechanical trades.
Riverina	Accountants; carpenters; engineers; health industry professionals; librarians; metal fitters; production managers; tilers; and welders plasters.

Skill shortages in professional trades; process workers seasonal workers such as cherry pickers, unskilled and highly skilled workers such as stainless steel welders, accountants and solicitors; health professionals, are aggravated by many staff reaching retirement age. For example in civil engineering 40 % members NSW Institute of Public Works Engineering Australia are over the age of 51 and 75% in access of 40 years of age.

Regional Development Boards are investing in collaborative activities such as conducting government funded regional skills audit and surveys, with other government bodies including the regional Area Consultative Committees, to produce statistics which represent a larger demographic and provide a more accurate identification of skills and skills gaps in their region. Hunter, Illawarra and Murray regions have all completed skills audit surveys with the Capital region due to commence its skill shortage survey in 2006. Other examples of associations includes the Riverina Regional Development Board and the Greater Western Sydney Development Board that are currently working with the regional Council of Australian Business Limited to survey employers and quantify the current and future demand for skilled labour.

Skills shortages have centred on “the trades” and have occurred state-wide. Access to tradespersons and services in remote and non-centralised rural areas is significantly limited, resulting in compounding costs and extending project durations for regional small businesses and this can in turn produced a disincentive for economic development and related job expansion. The “distance factor” has also created additional costs for residents.

(b)The economic and social impact of the skills shortage.

A number of Regional Development Boards believe skills shortages are limiting economic growth and significantly reducing development and expansion of local industry and regional small businesses. Conditions created by skills shortages include:

- Reduced access to professional services and skilled staff necessary to fuel economic growth;

- Skills migration, which also results in a reduction of human resources in a specific region and necessary for economic function;
- A reduction in business activities which create and assist new markets;
- Reductions in business size resulting in effects on business turn over, trade and sustainability.
- A reduction in specific industries and skills creating escalating costs to the consumer and business operational costs.
- A reduction in population and in the working population.
- A reduction in community core services such as health and education services due to the working age population demographic in the community.
- Losses in capital investment due to projects not being completed on time or in a financially viable manner due to lack of appropriate staff in the region.
- An additional restriction on the development of a region, industry or business and impacts on how a town or regional location is perceived in terms of attracting skills and providing an infrastructure for potential employment and lifestyle.

A state-wide survey on the social and economic impact of skills shortage has been recommended by some Regional Development Boards. The proposed survey, ongoing monitoring and strategic development, would be undertaken by the Regional Development Boards and appropriate State and Commonwealth government agencies. A centrally located taskforce could coordinate information gathering and reporting functions.

All regional areas have experienced shortages in the skilled trades. The economic and social impacts of this skills shortage include:

- Migration of tradespeople from company to company and region to region in search of better conditions and higher wages
- Large companies poaching qualified or part-trained staff from smaller businesses.
- Supervisors, managers and business owners being forced “back on the tools”, resulting in other duties being completed after production times.
- An increase in overtime hours to complete work tasks, leading to an increase in absenteeism and delays in production. Impacts on family and community participation become significant under these conditions. Impacts on family and community participation become significant under these conditions.
- Companies being unable to afford to pay higher wages and offer staff benefits as customers are unwilling to pay the additional costs on the product.
- The difficulties with employing apprentices who need fully qualified and experienced mentors to supervise them and involves taking a “trades” qualified and competent worker off-line to supervise a worker who is effectively non-productive for the first 12 months of an apprenticeship.

In the *Review of Skills and Training Needs of the “Emerging” Manufacturing Sector on the NSW North Coast*, the Australian Council of Trade Unions was quoted as saying, it predicts that unresolved skills shortages will cost the Australian economy \$9 billion over the next decade as opportunities to manufacture and compete globally are missed due to lack of skilled workers.

While changes in supply and demand for occupational skills are normal features of market economies, current skills shortages highlight two key factors that cause the imbalances in the supply and demand for skills. The *Review of Skills and Training Needs of the "Emerging" Manufacturing Sector on the NSW North Coast* quotes, as the main reasons for skills shortages occurring, 'slowness in wage movements where workers may migrate to take on skills and work relative to economic return on those skills, and slowness in the adjustment of supply where the market responds too slowly in managing the supply of skills'.

Skills training can play a critical role when wage movements or industry willingness to train do not restrict new workforce entrants or workforce migration. It can also restore balance to supply and demand and meet attrition rates of skilled workers and demands for new skills. Poor responsiveness by training organisations and industry slowness to train can contribute significantly to a slow adjustment of supply.

(c) The strategies and programs of local governments to retain and attract skilled workers including opportunities for strategies and programs in conjunction with non-government bodies such as regional business organisations and Area Consultative Committees and Regional Development Boards.

Currently, the Riverina, Far West, Orana, Central West, Hunter, Murray, New England and North West, and the Australian Capital regions participate in the Skilled Migration program to attract skilled workers from overseas. During 2004-05 NSW Regional Development Boards, and a number of Area Consultative Committees and other regional organisations, have certified or sponsored 321 visa applications under the regional migration programs, a significant increase on 2003-04 figures. These include 247 permanent residence and long term temporary visa applications certified under two regional employer nomination visa programs (business and individual visas). Seventy four (74) of these applications are provisional visa applications sponsored under the new Skilled Independent Regional visa program. Visas secured a range of trades and professional staff including accountants, engineers, cooks and welders for regional areas. Over 60 occupations are in short supply in regional NSW.

All Boards have actively developed strategies and programs that enhance the profile of the region and promote their regions as a suitable place to live and conduct business.

The Riverina Regional Development Board's C Change initiative proposes to offer Local Government Areas (LGA) an opportunity to showcase their town in metropolitan shopping centres and other selected events, promoting career and lifestyles in the region. The board's Labour Attraction Strategy, an initiative of the Riverina Area Consultative Committee and Riverina Regional Development Board, took the theme of "take a job...get a lifestyle" and created information sheets on each town within the region to highlight job and lifestyle opportunities in the area.

The Central Western Regional Development Board initiated the Orange, Cabonne, Blayney Industry and Skills Project, a joint venture between the Board and local government, which follows on from previous work that had been funded through the

three local government partners and the Area Consultative Committee. This project was also supported by the DSRD and aimed at increasing apprenticeships in the mining, automotive mechanical, manufacturing, engineering (mechanical, fabrication) earth moving, drilling and labour hire trades through developing partnerships between industry and educational institutions, focusing activities and strategies around industry clusters. The initial premise of the project was based on the issue that a high number of jobs associated with the local Cadia Mine were being sourced outside the local area. This proved not to be the case and the project refocused activity around the exploration of factors impacting on the recruitment and retention of people in trades with particular consideration being given to those trades associated with the mining engineering cluster.

The Illawarra Regional Development Board hosted an open skilled migration briefing session in Wollongong in November 2005, with Minister Campbell opening the session. The Board is helping local employers attract migrants who can be sponsored under the employer nominated visas, by listing skills required in the Illawarra region on the DSRD's website. The data was compiled as part of a skills audit which the DSRD supported. Once results are published, the Board, Wollongong City Council will commence discussions with schools and teachers and TAFE colleges and Universities to remedy the situation and create strategies for action.

The Mid North Coast Regional Development Board shares the same logo with the Area Consultative Committee (ACC) and has co-funded a number of projects with the Board including the Green Paper project on the dynamics and drivers of the regional economy. Targeted at prospective investors in the region, the paper describes the dynamics of the region, the growth areas and challenges in the region. The subsequent report by the Hunter Valley Research Foundation titled "Growing jobs on the Mid North Coast" identified a number of key issues likely to have a significant impact on the future economic growth of the region. Both the Board and ACC are currently collaborating on developing a regional industry and economic plan which includes addressing skills requirements in the area.

Many regional Councils participated in Country Week, a private sector initiative sponsored by the DSRD, which aims to showcase the region to business and individuals interested in making the move to the country and regional NSW.

(d) Consider appropriate models from other States in interacting with the Commonwealth's skilled regional migration programs.

In NSW, the NSW Business Migration is coordinated and managed at the state level by the Business Migration group located within the Department of State and Regional Development. The State's authority to sponsor applicants under the Skilled Independent Regional visa program has been delegated to the Regional Certifying Bodies. A Regional Certifying Body, which includes various organisations such as Regional Development Boards and Area Consultative Committees, becomes the principal contact for regional employers as it is familiar with regional businesses and their local needs and skills demand.

The Department advises that annual quotas by State are not required under the Skilled Migration Program. Nationally, visas are actually managed according to targets achieved.

Some of the options to consider from the state migration programs include:

- Availability of funding for the regional certifying bodies towards marketing their regions.
- Availability of direct regional funding for participation in overseas migration road shows and the development of websites.
- Positioning funding at regional level where knowledge of local conditions is highest.
- Availability of skills matching databases through job placement organisations.
- Mentoring by Regional Development Boards of local councils in attracting migrants with specialist skills.
- Improving access for migrants via information on settlement services.
- Providing education providers with more specific information to provide courses to onshore and off shore students so that they can utilise their course qualifications in the regional workforce.
- Examining the relevance of the Victorian State Government's Regional migration incentive Fund (RMIF) at www.LiveInVictoria.vic.gov.au. Up to \$3 million has been allocated over three years (2004-07) across 11 regions, which represent 35 local government areas. Each region will receive up to \$90,000 per annum as a contribution to the development and implementation of their local skilled migration strategy.

(e) Coordination between Local, State and Commonwealth Governments to attract and retain skilled workers.

Stakeholder's perceptions vary in endeavouring to understand where they fit into the skills shortage solution. Regional Development Boards have had little contact with State or Commonwealth level initiatives except for the Skilled Migration Program.

(f) The impact of the Commonwealth's regional migration programs including assessing the long term jobs and investment outcomes and considering possible recommendations to encourage sustainable regional development in NSW.

Regional migration programs are vital as they enable regions to address their most urgent demands which encourage economic development and sustain confidence in the region. The programs also become the means by which long term jobs are sustained, creating opportunities for investment in the region from internal and external sources. However, such programs are unable to provide sufficient supply to meet demand and business opportunities are being missed, especially in the skilled trades, as resources are insufficient.

The Orange Cabonne Blayney Industry and Skills Project worked with industry representatives in the Central West region to explore the possibility of using the regional migration program to address skills shortages. The complexities surrounding visa types, lengths of commitment, employing people sight unseen and the time from application to commencing employment have proved difficult. The amount of time available to businesses to pursue this avenue without resources is marginal. The Central West Regional Development Board applied to DIMIA for an Outposted Officer, however their submission was declined. The assessment process seemed to

overlook the number of businesses within the eleven local government areas of the proposal, which is well in excess of 2,000.

The Riverina Regional Development Board is joining DIMIA to present information sessions to employers to attempt to address any concerns on the program.

A central national point is required for facilitating a database for employers to lodge vacancies that indicate their willingness to accept migrants and under which terms, short-term, long-term or permanently. Some Regional Development Boards would encourage the expansion of the regional migration program to include occupations that are not considered "skilled", a definition set by the Federal Government.

Skilled migration programs offer a part solution only, to addressing skills shortages in NSW in that they provide a short-term solution. Solutions such as vocational training, school based education, retraining, have longer lead times. Boards have reiterated that undertaking a role such as the Regional Certifying Body for the Commonwealth's Department of Immigration and Ethnic Affairs requires resourcing by the Commonwealth Government. Full resourcing would allow the certifying body to be more proactive rather than reactive and processing of skilled migration visas could be increased.

(g)The adequacy of current measures used to record and report on the skills shortage.

The Mid North Coast, Far West, Riverina, Murray, Illawarra, New England-North West and Hunter have conducted skills audit to determine the extent and nature of skills shortages in their regions and have developed strategies to assist the skills shortages in their regions, with the support of the DSRD and other government bodies. However, the adequacy of current measures is weakened by the fragmented nature of current regional practices. As a result recommendations for accurate collation of information include:

- Providing a state wide survey and register which provides identification of skill requirements in and across all regions in NSW.
- Providing a standard methodology to collect information about skills shortages including working with agencies such as Department of Employment and Workplace Relations, Australia Business Limited to collect information on skills shortages.
- Redefining classes of industries to include a broader spectrum of employment including unskilled positions.
- The Federal DEWR working closely with industry bodies and professional associations to set up and maintain on-going reporting mechanisms such as those initiated by the ABS for its various monitoring programs, and that the Regional Certifying Bodies become more involved in the process of recording skills shortages.

To date small samples of information are being collected from various regions and in some cases just anecdotal commentary about skills shortages. Discussion is required on ways which boards and other bodies collect and make available information about skills shortages. Current information sources include an unmanageable database of

skills shortages in the region, Department of Employment and Workplace Relations reports. The Riverina Regional Development Board in conjunction with the regional Australian Business Limited Council are undertaking a survey of regional employers to understand what skill shortages exist in the region and the reasons why positions are being left vacant.

Most regions become aware of skills shortages anecdotally, and from one-on-one discussions with regional employers at the most immediate level. An inadequacy of current measurements is partly due to the definition set by DIMIA which states that a position requires at least a trade certificate or diploma.

Furthermore, some regional boards recommend that funding be increased to support Regional Development Boards in undertaking comprehensive qualitative and quantitative research into the current and future demand for labour and the impacts of skills shortages in regional NSW.

(h) The methods used by training organisations including TAFE to assess skill needs in rural and regional NSW and their response to identify needs.

Not all Regional Development Boards were in a position to describe methods used by TAFE to assess skill needs in NSW as contact was limited.

The methods used by TAFE to develop new courses involve a review of workplace demands in the year prior to the study year. The review clarifies if courses are still needed, if the course intake needs to be expanded and if new courses need to be developed. Examples of new courses being introduced include the TAFE Civil Engineering Diploma in the Riverina region and the submission of an application for funding for a Farm Skills Induction Program at the Murrumbidgee College of Agriculture located in Yanco, which will alleviate the need for farmers to train every new worker that comes to their farm. Methods used by registered training organisations (RTO) to assess skill needs, are generally through networking and referrals.

The performance of the regional TAFE in Orange has been outstanding in assessing and assisting the metals fabrication and engineering sector. The project identified an opportunity to use skilled labour as opposed to qualified welders in local firms. An arrangement was brokered between Job Network provider and RTO and industry representatives to train people as skilled welders. The purpose was to fill gaps in the labour market with less skilled people who could accomplish the work and reduce the number of trades people required. This practice was once commonplace and seems to have decreased with the introduction of Job Network.

Regional Board recommendations include:

- The continuation of on-going surveys among educational and tertiary institutions with the setting up and maintenance operations being delegated to the Regional Development Boards to ensure that skills shortage data and skill needs are reported in real time.

- The New South Wales Government review the provision of TAFE apprenticeship courses currently provided in Sydney and Newcastle locations, to locations in excess of 400 kilometres from the major regional centres and where possible transfer courses to the remote centres by utilising visiting teachers and ensuring apprentices can afford to attend trade courses.
-