

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

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Summary

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31 August 2005

THE DIRECTOR
STANDING COMMITTEE ON STATE DEVELOPMENT
LEGISLATIVE COUNCIL
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Dear Director

INQUIRY INTO SKILLS SHORTAGE IN RURAL AND REGIONAL NSW

Thank you for the opportunity to make a submission to the Legislative Council Standing Committee on State Development 'Inquiry into Skills Shortages in Rural and regional NSW'. A draft electronic submission has already been forwarded to your secretariat.

For further inquiries about this submission, please contact Sandra Feltham, Community Planning Officer on 4974 2962

Yours faithfully

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'Enc'



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**NEWCASTLE CITY COUNCIL
SUBMISSION TO THE NSW
LEGISLATIVE COUNCIL
STANDING COMMITTEE ON
STATE DEVELOPMENT**

**'SKILLS SHORTAGES IN RURAL
AND REGIONAL NSW'**

July 2005

**The Director
Standing Committee on State Development
Legislative Council
Parliament House
SYDNEY NSW 2001**

**NSW LEGISLATIVE COUNCIL
STANDING COMMITTEE ON STATE DEVELOPMENT
INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW**

A CRITICAL SKILLS SHORTAGE

SUMMARY

The purpose of this paper is to inform the NSW Legislative Council Standing Committee on State Development Inquiry into Skills Shortages in Rural and regional NSW.

In the development of this submission, the primary information sources have been draft discussion papers prepared for the Newcastle City Council (NCC) Community Plan, the NCC Ethnic Affairs Priority Statement (EAPS) 2004 and the Lord Mayoral Working Group 'Enriching Newcastle's Diversity' discussions.

In order for Newcastle and the Lower Hunter to achieve economic and social sustainability, the region and its regional capital must achieve a diverse, flexible and skilled workforce with a balance of older and younger workers.

Newcastle City Council therefore recommends that the NSW State Government undertake;

- Consideration of a consistent classification across State and Federal departments for Newcastle and the Lower Hunter.
- Reinstatement of State funding programs such as the *Productive Diversity in the Workplace* program and *Skilled Migrant Placement* programs.
- Ensure adequate resources are available to enable employers ease of access to the DIMIA skills matching database.

INTRODUCTION

In the past, migrants have brought a range of skills to the local and regional economy as well considerably enriching the social fabric of our communities. The Hunter is now at a critical stage as local cultural diversity decreases during a marked skills shortage.

Within the Newcastle population, a total of 15,940 (11.4%) identified as being from a Culturally and Linguistically Diverse (CALD) background in 2001. This proportion has decreased from the 1996 Census (12.2%). This is a significantly lower proportion than for the 2001 NSW population (29.5%), or the Australian population (22%) who were born overseas.

The CALD population in Newcastle has higher levels of European-born people and considerably lower levels of Asian-born people than the NSW or Australian population in 2001. Significant proportions of the European born migrants are ageing.

Newcastle competes for skilled migrants on a number of intersecting scales (regional to national and global). In April 2004, the State Government withdrew funding from the *Productive Diversity in the Workplace* program and *Skilled Migrant Placement* programs. These programs had been highly successful, placing about 80-100 migrants into jobs each year, predominantly in the Lower Hunter. The loss of these programs will impact on Newcastle's ability to attract and retain skilled migrants.

A major service gap now exists with the State Government saying that skilled migrant employment is a Federal responsibility. The Federal Government maintains that their target groups for resource allocation are the *humanitarian* and *family* streams of migrants.

Given that Newcastle's traditional CALD population is ageing, younger migrants arriving through the *skilled migrant stream* have potential to make substantial contributions to the social and economic fabric of Newcastle. There is a need to provide them with adequate opportunities and support.

Issues impacting on skilled migration to Newcastle include:

- Newcastle is not recognised as a regional location for skilled migrant settlement purposes as it is seen to be part of the Sydney Greater Metropolitan Region.
- Inadequate support services to enable skilled migrants to optimise employment opportunities. This impacts on the willingness of skilled migrants to settle in the Newcastle area.
- Inadequate support services for employers that would enable them to tap into the skilled migrant group.

Like the rest of Australia, the population of the Lower Hunter is ageing both numerically (the actual number of people) and structurally (older people as a proportion of the population). The Baby Boomers are expected to significantly contribute to this trend as it unfolds at markedly different rates across Australia and the Hunter.

Newcastle remains the regional centre with 45% of all Lower Hunter working residents "journey to work" being a destination within the Newcastle LGA (HVRF, 2003). Lake Macquarie is the next most significant employment centre attracting 27.2% of Lower Hunter working residents.

Newcastle has long experienced higher levels of unemployment than the State average. This is despite a marked trend of increasing diversity in both occupation and industry sectors over the past thirty years as well as rising education and skill levels amongst the working population.

The Newcastle City Council Ethnic Affairs Priority Statement (EAPS) identified the importance of Newcastle being proactive in attracting more skilled migrants. A major strategy of the EAPS to address this issue was the establishment of a Lord Mayoral Working Group "Enriching Newcastle's Diversity". This broad-based group is comprised of representatives from key business groups, State agencies and educational institutions.

STRATEGIC CONTEXT

The latest significant strategic planning document for Sydney, the *Metro Strategy* has nine key directions (DIPNR, 2004). Direction 2, Strengthen the Regions, notes that the Illawarra and Lower Hunter are independent regions within the Greater Metropolitan Region.

Due to this stated independence, Regional Strategies are to be prepared for both regions. The Lower Hunter Regional Strategy is currently being prepared by DIPNR and is expected to set directions for managing growth and change in the region and complement the directions for Sydney.

Briefings provided by DIPNR over the past several months have indicated a range of population growth scenarios for the Lower Hunter over the next 30 years. These are shown in Table 1 below.

	Additional people	Additional dwellings
High growth	280,000	169,189
Medium growth	176,000	119,660
Low growth	93,000	80,285

Table 1: DIPNR population scenarios for the Lower Hunter (2005)

Based on these population scenarios, a rough rule of thumb would be that an average of one full time job per dwelling (or the equivalent) needs to be generated in order to support these population scenarios. This presents a significant challenge in the generation of enough employment opportunities above the current opportunities available within Newcastle and the Lower Hunter.

THE CURRENT AND FUTURE DEMAND FOR LABOUR.

Over the past 5 years, there has been a decrease in the reported unemployment rates in the Lower Hunter from 9.4% (1999) to 7.1% (2004) (HVRP, 2004). The rate of unemployment has remained under 10% since July 2003 with the gap between the State and regional rates falling from 4 - 5 percentage points to 1 - 2 percentage points.

Newcastle currently generates 73,000 job opportunities which employ 36,000 (out of a total 55,000) local working residents. The remaining job opportunities employ people primarily in the Lower Hunter.

Newcastle has made a successful transition from reliance on the manufacturing sector to a more diverse range of employment options. The Service Sector is the major supplier of new job growth opportunities, with the health and education sectors now being our major employers.

Recent Trends

In the Hunter Region, trends include:

- Employment opportunities provided by the manufacturing sector are now below the national average;
- Increasing reliance on small to medium sized businesses for job creation opportunities;
- Growth in part-time work has exceeded growth in full-time work;
- Women are more likely to work part-time;
- Skill gaps eg technical trades and health professionals;
- Decreasing proportion of 20-24 yrs olds. This indicates that although Newcastle is an education centre, young people are not staying post-graduation due to decreased employment opportunities.

Skills Shortages

State wide skill shortages have been identified in the following areas: childcare; nursing; secondary school teaching; welders; stainless steel and aluminium; motor mechanics; panel beaters; spray painters; chefs; cooks; bakers; cabinet makers and hairdressers. (DEWR, 2004).

The Hunter also has a significant skills shortage (AiG, 2004). In the Hunter region, there were over 800 trade jobs across 61 companies that employers could not fill

because of the critical skills shortage. Nearly 30% of employers received no applications for jobs in the manufacturing field. The majority of these positions are in the Lower Hunter.

There is increased reliance on small and medium sized businesses to provide training. However, their size and structure constrains their capacity to engage in the scope of training that larger manufacturing businesses previously provided, creating challenges for the sector.

Entry level positions with training opportunities in the public sector and large private enterprises are declining. In their place, employees are faced with casual, temporary, and insecure positions and their need to build skills is ignored.

Increasingly, individuals are responsible for meeting their own training needs. As the tertiary education and VET sectors move towards user-pays, those with the highest need can't access loans or sufficient funds to pay for training.

THE CHALLENGE

Is Newcastle regional or metropolitan?

There are significant inconsistencies within the Lower Hunter with the classification of areas as 'regional' by DIMIA. For example, Maitland and part of the Central Coast are classified as 'regional', while Newcastle is not. This means many of the 'regional' incentives and assistance and 'designated enhancements' offered by DIMIA are not available to migrants considering working or living in Newcastle.

Sydney and regional NSW are defined under DIMIA's state-specific and regional mechanisms where jurisdictions are able to identify designated areas which receive priority processing for business and skilled migrants.

NSW has designated all areas of NSW **other than** Sydney, Newcastle and Wollongong to be regional. This was done on the basis that Sydney, Newcastle and Wollongong do not require the same priority (Section 1.6; p.8)

Yet the Department of State and Regional Development and the Premiers Department both consider Newcastle and the Lower Hunter as regional.

Despite DIPNR strategic policy clearly identifying the Lower Hunter as an independent region, Newcastle is one of the non-capital areas that have long been excluded from accessing the Regional Sponsored Migration Scheme.

The Commonwealth Working Party On Migration To Sydney And Regional NSW Report (December 2003) notes a number of issues that are proving to be relevant for Newcastle and the Lower Hunter as time progresses.

- Concern was raised about differences between regions and even parts of Sydney. The Report notes that the Hunter and North Coast have relatively stagnant labour markets (p.17). Although unemployment rates have improved, the labour market is diversifying rather than growing.
- The Department of Employment and Workplace Relations representative (p.20) noted that proposals to restrict business and skilled migration to Sydney need to take into account the impact on the efficiency of the Sydney labour market and that restricting skilled migration could have a detrimental impact by exacerbating skill shortages and generating wage and price pressures. The restrictions on skilled migration to the Lower Hunter do appear to be impacting at a local level.

- The Department of State and Regional Development (p.25) also advised against restricting business migration stating that there is a significant need for business investment in all areas of the State.
- The NSW representatives (p.26) concluded that restricting the number of business migrants to Sydney would have minimal impact on population numbers compared to the positive impact on future employment and economic growth resulting from business migrant investment in the State.
- The awarding of bonus points for those who study at regional universities in NSW – Newcastle is not part of this p.32
- The Commonwealth Government has defined regional Australia as any ABS Statistical Division (SD) with a population of less than 200,000 or a low population growth area (as defined as any ABS Statistical Division with a population growth rate between the last 2 censuses of less than 50% of the national average. This applies to list on page 34. We note that this does not “ring” true as the Hunter SD includes both the Upper and Lower Hunter areas however regional status applies to Maitland and areas such as the Central Coast.

Funding and other resources

This broad-based group of business leaders has received briefings from DIMIA about the DIMIA skills matching database. However concerns were voiced by the Regional Certifying Body about their capacity to resource the database as it existed at that point in time. Other issues raised at this briefing were

- the cost to potential employers in accessing skilled migrants through the available mechanisms. Significant financial costs were highlighted, as was the length of time required in processing the required paperwork.
- The need for DIMIA to promote the availability of the skills database more effectively.

The biggest problem faced by migrants is securing employment and work experience placements. Migrants can also have difficulty in accessing and utilising networking opportunities. The potential of international students to be “business ambassadors” both here in Newcastle and in their home countries has been noted by the END group.

LOCAL RESPONSES

Local Government Strategies

Newcastle City Council endorsed its second Ethnic Affairs Policy Statement (EAPS) in 2004. This document was developed on the basis of research and extensive consultation with the local community.

The number of new migrants coming to Newcastle in the short term will not be enough to maintain Newcastle’s existing level of cultural diversity. The EAPS has identified concerns about the decreasing CALD community, and agreement that Newcastle needed to look at ways in which it can increase the CALD population as a means of strengthening the diversity of the economic and community sectors.

A major initiative of the EAPS was the establishment of a Lord Mayoral Working Group “Enriching Newcastle’s Diversity” (END) in 2005. The goals and objectives of the “Enriching Newcastle Diversity” Working Group are to:

- Advocate and promote Newcastle as a regional settlement location for skilled migrants.

- Investigate ways in which the business community can support and facilitate diversity in the local workforce.
- Promote access to employment and volunteer roles.
- Investigate the feasibility of establishing a skills development program in conjunction with existing programs.

Further initiatives include;

- Lifelong Learning – encouraging local people to be active learners in order that the Newcastle community can more effectively respond to change and provide a flexible and responsive workforce
- Mayfield Employment Strategy – a place based project which identifies a number of strategies for reengaging people who have been out of the workforce for some time.

What Is The Business Community Doing?

The Australian Industry Group (AiG) has made submissions to the Federal Government regarding the skills shortage in the Hunter in 2004. Furthermore, AiG has launched the Hunter Skills Development Action Plan in 2004. It will bring together key stakeholders in the region to address the ongoing local skills shortage.

Possible strategies identified in this action plan include:

- Making these jobs more appealing to attract young people;
- Developing new apprenticeship arrangements and pathways to replace the capacity of the local manufacturing sector to engage in 'trade training on the job' as occurred in the BHP days;
- Encouraging mature-aged people and unemployed/underemployed people to re-skill; and
- Supporting development of small and medium businesses, which are the employment growth providers. For example, the Lower Hunter Business Enterprise Centre has assisted over 2,700 clients to establish more than 300 new businesses with an 85% success rate.

RECOMMENDATIONS

- Consideration of a consistent classification across State and Federal departments for Newcastle and the Lower Hunter.
- Reinstatement of State funding programs such as the *Productive Diversity in the Workplace* program and *Skilled Migrant Placement* programs.
- Ensure adequate resources are available to enable employers ease of access to the DIMIA skills matching database.

CONCLUSION

To achieve economic and social sustainability, Newcastle must achieve a diverse, flexible and skilled workforce with a balance of older and younger workers in order to address the skills shortage. Strategies include:

- Increase skilled migrant flow to Newcastle (See CALD Paper);
- Encourage the aged population to remain skilled and involved;
- Encourage the creation of entry level employment opportunities and on-the-job training; and
- Maximise opportunities created as skilled workers retire or reduce their participation in the workforce, by creating pathways from paid to voluntary work, and developing mentoring programs.

REFERENCE LIST

Australian Industry Group (AiG) – Submission 2005-06 Migration Program Consultations

Discussion papers for the NCC Community Plan 2005-2010 are available at www.ncc.nsw.gov.au/services/community/social/community_plan

- Culturally and Linguistically Diverse
- Unemployment

Newcastle City Council Ethnic Affairs Priority Statement (EAPS) 2004 – available at www.ncc.nsw.gov.au/services/community/social/ethnic