

**Submission
No 38**

INQUIRY INTO SKILLS SHORTAGES IN RURAL AND REGIONAL NSW

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Theme:

Summary

SUBMISSION

to

NSW Legislative Council's

**STANDING COMMITTEE ON STATE
DEVELOPMENT**

**'Inquiry into Skills shortages in rural and
regional NSW'**

From the Capital Region Development Board



Background

The Capital Region Development Board (CRDB) is one of the thirteen regional development boards supported by the NSW Department of State and Regional Development.

The CRDB is the regional development board that operates in the south eastern sector of NSW. The Board is funded by both the ACT and NSW governments to facilitate sustainable economic development outcomes for the benefit of both jurisdictions.

The Board consists of five members appointed by the ACT Minister for Economic Development and five members appointed by the NSW Minister for Regional Development. The Chair and Deputy Chair are appointed by agreement of the two relevant ministers.

The Board receives annual administrative funding from the NSW and ACT Governments under separate funding agreements to support the activities of the Board. These funding agreements carry performance obligations. The core performance obligations which the supporting governments suggest the Board work to include:

- Activities that align with the strategic imperatives of the sponsoring governments including:
 - o Increased investment within the region
 - o Increase in exports from the region
 - o Building economic capacity by supporting entrepreneurship, networking and clustering activities
 - o Increased job numbers and diversity of business activity
 - o Development of innovative businesses
- Activities which reinforce the partnership opportunities between the governments of ACT and NSW
- Promotion of the 'Region' as a business and lifestyle destination
- Development of leadership and entrepreneurship across the region, and
- Activities that have quantifiable outcomes

The Board notes the interdependency, in a regional development sense, of economic development, social and community development and environmental sustainability. Economic development can not be seen as a stand alone activity. As a result of this interdependency, some of the Board's activities may also be focused on social and community development. All activities and the outcomes from them are aimed at being environmentally sustainable.

The Board also seeks project funding from time to time to progress worthwhile projects with regional development outcomes benefiting regional communities. The Board does not seek to duplicate or compete with other organisations and focuses on activities where it can provide relevant and effective outcomes for the region.

Responses

1. That the Standing Committee on State Development inquire into and report on the skills shortages and its impact on rural and regional NSW and, in particular:

(a) The current and future demand for labour

As a regional development organisation, we struggle to keep ourselves fully informed as to the needs of business and industry within our region. We understand, primarily through anecdotal evidence, the shortage in various areas of skilled employment in vocationally trained occupations as well as university trained occupations.

We have been endeavouring for quite some time to obtain funding for a study to more accurately indicate the extent and nature, not only of skills shortages but also of skills strengths in our part of regional NSW. We have yet to be successful in gaining funding for such a study, as funding bodies are primarily interested in, and rightly so, (to some degree) looking at solutions to the skills shortage issues. Our argument has been though, that it is perilous to initiate a course of remedial action when in fact the nature and extent of the problem has not been accurately and knowledgeably identified and quantitatively assessed.

The fact is that we do not know the current level of demand for labour within our region in quantitative terms, nor do we accurately understand the current demand in a qualitative sense.

As we struggle with understanding the current demand for labour within our region, we subsequently have little idea as to what the future demand for labour within the region will be.

To know this would require a detailed study conducted across our region.

RECOMMENDATION

That the NSW Department of State and Regional Development, through the Regional Development Boards across the State, be funded to undertake comprehensive qualitative and quantitative research into the current and future demand for labour and the impacts of skills shortages on regional NSW.

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

The effects of skills shortages on rural communities can be profound. Skills shortages in any business and micro-economic system will restrain the ability of businesses to grow and expand. Not having an adequate supply of workers available for a business has immediate and long term effects on the capacity of the business to grow, expand, enter new markets (perhaps export) and may even cause a business to diminish in size (staff numbers) and turnover, and perhaps cease to trade.

At a macro-economic scale (such as a large city, or country), the effects of skill shortages in a range of industries and skill areas can be well hidden and the impact can be minimized by growth and development of other industries. However in smaller communities, the effects can be quite profound. In a town where one or two industries dominate, the effect of skills shortages in that industry can have a marked effect on the business environment and this flows directly on to the community. Prosperity and business well-being in a small community has a major impact on the prosperity and confidence of the town.

The economic impact tends to be felt within a short period of time as businesses reduce the numbers of employees and the subsequent dollar spend in the community diminishes. The community effects however, can and do take longer to have a full effect, but the impacts can be devastating and long term.

Reductions in population or the working age population within a community have broad ranging effects on other services within a community. Social and sporting activities can diminish and become unviable. Health and education services may be removed from a community due to a reduction in the 'working age' population demographic in a community. This demographic cohort generally also provides the children to a community and this affects the schools and sporting groups within the community.

It is clear that difficulty in finding skilled workers for business in regional communities has a clear and immediate impact on the economy of the community. Also a community's social structure is affected in the longer term, and perhaps permanently.

RECOMMENDATION

It is recommended that because the impact of the skills shortage is 'global' a state-wide survey of the economic and social impacts of skills shortages and on-going monitoring be implemented. This could be coordinated by the Department of State and Regional Development in conjunction with the Regional Development Boards and the Commonwealth's Department of Employment and Workplace Relations and Department of Immigration and Multicultural and Indigenous Affairs.

(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

The actions of local governments in addressing skills shortages within a local government area appear to be widespread and variable. Some take positive and affirmative steps and are dealing with the issues on an industry by industry, or in fact a business by business basis. Others deny that skills shortages are an issue within their local government area – even though we, as a Regional Certifying Body, have been dealing with a number of employers within their shire who have had difficulty in obtaining skilled staff readily.

Co-operation and co-ordination of a regional approach to addressing skills shortages between local governments, Regional Development Boards and ACCs has not been positively handled or driven by any of the stakeholders in our region. Each seem to be undertaking their own approach.

Some of the issues identified as a cause of this include:

- Differing areas of responsibility; Local Governments tend to be focussed on their own Shire/City.
- Regional Development Boards and ACCs have differing borders and defined ‘regions’ (The Capital Regional Development Board covers a region which includes three ACC areas)
- Differing priorities of the organisations – even though all have identified skills shortages as an issue within their most recent Strategic Plans.
- ACCs that have a different ‘primary purpose’ and differing ways of working within a region. Within the Capital Region Development Board’s region, the two main ACCs operate quite differently and have quite different philosophies and understandings of their roles.

RECOMMENDATION

It is recommended that the ‘issues’ and ‘problems’ be addressed at a macro or State level rather than expecting Local Governments and Regional Development Boards to tackle what is in effect a state-wide phenomenon.

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

It seems, from what we can ascertain, without fully researching, that other states have taken a more holistic approach to the Commonwealth's program. The model used in NSW, whereby Business Migration programs are undertaken by a centralised DSRD and the Skilled Migration programs are run by the Regional Certifying Bodies (RCBs), seems a fractured approach.

The theory behind RCBs is reasoned, in that they should have more local knowledge on the needs and requirements of their region; however this may not always be the case. The centrally driven approach taken by the South Australian government certainly seems to be paying dividends as the numbers of people they are certifying through the Federal migration programs is impressive. Additionally the approach taken by Victoria, where they have produced some impressive marketing material and are actively marketing the State and the regional centres in the state overseas, seems to also be paying off. The request also by Victoria to increase its annual quotas under the federal skilled migration programs is commendable – with the bulk of these additional places being allocated to regional Victoria. This appears to be the converse of the NSW approach where a reduction in numbers has been sought from the Commonwealth (as a proportion of the total program numbers), and that the majority of these still appear to be allocated to the Sydney metropolitan area.

We firmly believe that a more focussed 'regional' approach could be adopted to working with the Federal skilled migration programs, modelled on some of the better aspects of the models being used by South Australia, Victoria, and perhaps Tasmania.

We need always though to keep in mind that skilled migration is only one of the 'tranches' of solutions for skills shortage problems, and can be effectively used to address the more pressing and short term skills shortage areas. Longer term programs need also to be implemented to address the solutions on a medium and longer term basis.

RECOMMENDATION

That DSRD look at re invigorating its approach to its interaction with the Commonwealth's skilled migration programs by looking at best practice models from within Australia and also overseas in other jurisdictions.

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

There are many facets to the skills shortage issue in the state and indeed the country.

The coordination between differing levels of government, and even within the same level of government appears to be not very effective at all. There are many stakeholders, within government and in the private sector, and each stakeholder is endeavouring to understand where they fit into the solution.

Our experience has shown that even the business and state development agencies of the NSW and ACT Governments have been struggling to work out where they ‘fit’ in the Government-wide raft of responses. Many players are involved, even at each level of government.

A positive step has been undertaken within the ACT Government recently where the Department of Economic Development has driven a Government wide forum with attendees from all government agencies, to undertake a ‘stocktake’ of the actions various government agencies were implementing as their response to skills shortage issues. This is perhaps something that the NSW Government could also undertake.

Once the State Government has a fuller understanding of its agency and department responses, then perhaps they may be in a better position to ask Regional Development Boards and Local Governments and industry stakeholders to undertake regional and local actions which complement the raft of actions being undertaken by the State Government.

To be successful there must be cooperation and collaboration between all sectors – governments, private sector professional bodies and individuals.

RECOMMENDATION

That Regional Certifying Bodies undertake to ‘coordinate regional approaches’ to addressing skills shortage issues. Regional Certifying bodies would need to be resourced to undertake this task.

(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

As a Regional Certifying Body we are responsible for certifying several types of skilled independent visas on behalf of the Commonwealth. Two of these are ‘business based’ visas where it is primarily the businesses that apply on their employee’s behalf. The most recently introduced visa, the SIRS visa, requires application from individuals, who could be either onshore or from out of the country.

These regional skilled migration programs are only ‘one part’ of a potential solution to addressing skills shortages in regional NSW. They are the component which can provide the short term, quick fix, solutions. Other solutions such as vocational training, school based education and other training (and retraining) solutions, necessarily have longer lead times.

The major issue with the Capital Regional Development Board in undertaking its role as a Regional Certifying Body for the Commonwealth’s DIMIA is that the Board is not resourced to undertake this role. We are permitted to apply a fee to applicants which equates to ‘cost recovery’.

If the Regional Certifying bodies across NSW were properly resourced, then their effect and impact could be many times improved. At the present time we undertake the processing of around 30-40 applications under these skilled migration programs per year. If we were fully resourced to undertake this role, we, as a regional certifying body, could be ‘pro-active’ rather than being primarily ‘re-active’, which we are now. We estimate that we could increase the numbers of skilled migration visas we process by at least three fold. Being funded to undertake this role could also mean the development of marketing programs specifically for our region, and marketing undertakings which are specific to the industry base and other unique aspects of our region.

RECOMMENDATION

That Regional Certifying Bodies be funded to undertake their role, jointly by the Federal Department of Immigration and by the NSW Department of State and Regional Development.

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

We believe the current measures to record skill shortages across not only regional NSW, but across the entire State (and Country) totally inadequate.

Several discussions we have had with the Federal Department of Employment and Workplace Relations (who provide the data to Immigration which forms the basis of their skilled migration policy), have lead us to conclude that the methodologies used by this department to track skills shortages are totally inadequate and do not provide accurate and representative skills shortage data. The methodologies they have undertaken in metropolitan Australia, which has been used for some time now, totally inadequate for recording skills shortages in regional centres.

We believe that industry associations who survey membership have a better understanding and a more accurate representation of their industry.

We strongly believe that this is an area which needs to the greatest amount of attention, as to undertake policy work and program delivery based on inaccurate base figures is fraught with danger.

RECOMMENDATION

That the Federal DEWR work closely with industry bodies and professional associations to set up and maintain ongoing 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.

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

We are unaware of the methodologies used by TAFE to assess skill needs in regional NSW. However, we do believe that a more open process involving Regional Certifying bodies, Regional Development organisations, business and industry groups is necessary to obtain a fuller and more accurate picture.

At present it seems that awareness of skill needs and shortages are reactive. Trade bodies and professional associations can better inform governments and the general public of areas in need. The evidence at present is merely anecdotal at best.

RECOMMENDATION

That ongoing surveys among educational and tertiary institutions be set up and maintained by each of the Regional Development Boards so that skills shortage data and skill needs are reported in real time. Demand for courses and apprenticeships are an indicator of needs and shortages.

Attached:

Strategic Direction documents of the Capital Region Development Board

Capital Region Development Board

STRATEGIC DIRECTIONS 2004-2006

Background and Overview

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The Board also seeks project funding from time to time to progress worthwhile projects with regional development outcomes benefiting regional communities.

The Board does NOT seek to duplicate or compete with other organisations and focuses on activities where it can provide relevant and effective outcomes for the region.

The Board underwent a process of member re-appointments in mid 2004. Six newly appointed members joined the Board on September 1, 2004 and joined the four who were re-appointed. A strategic planning exercise was carried out soon after. The following strategic directions for the Board were developed during the planning exercise taking into consideration the needs of the supporting governments, stakeholders throughout the region and the communities of interest affected by the work of the Board.

The proposed activities of the Board for the next 2 years have been categorised as 'Key Strategies' and 'Core Activities'. The key strategies are likely to require specific project activity and funding in order to achieve significant outcomes. The core activities however are likely achievable within the administrative budget of the Board. Project activities are under constant development by the Board secretariat, taking into considerations the needs of the regional communities and will be focused on the following two priority areas over the next 2 years. These key strategies will be reviewed biennially.

Strategic Directions

Key Strategy 1

Development of business and industry of the region

To create sustainable regional cities, towns, villages and communities as desirable lifestyle alternatives and to help them grow by:

- The development and support of business and industry sectors
- Obtaining ongoing feedback from the regional communities on the barriers and their needs in relation to the sustainable development of their communities.
- Supporting infrastructure development that reduces the barriers for businesses to operate regionally; including hard infrastructure such as roads and telecommunications and soft infrastructure needs including social and community amenity.
- Supporting business sector organisations, such as chambers of commerce, business advisory and development organisations, peak business and industry bodies etc
- Advocating and supporting value-adding opportunities for regional products and services
- Promoting the export opportunities from the region
- Carrying out specific project activities which address this strategy in the regional agribusinesses industry and other industries that demonstrate a need
- Investigate options relating to the employment of an Industry Development Project Officer, co funded by the ACT and NSW Governments to work on specific industry development projects for the region.

Key Strategy 2

Development of the leadership, entrepreneurship and skills base of the region

The creation of self-sustaining and self-reliant communities and a stronger, more resilient regional business community by:

- The development of community and business 'leaders' within the communities of the region
- Encouraging entrepreneurship and business skills development
- Supporting the growth of the skills base of the region to ensure adequate numbers of appropriately skilled employees
- Looking at financial options for continuing the current Regional Community Leadership Program
- Working with key stakeholders on a project activity to identify regional skill shortages and develop solutions to address the issue in the short, medium and long terms
- Developing an innovative 'entrepreneurship' development program for the region
- Continuing, in a pro active way, our role as a Regional Certifying Body for the Federal Department of Immigration.

Core Activity 1

Co-operation

- Work in a cooperative and planned way with stakeholders, including the ACT and NSW Governments and their agencies and other regional organisations, including the Area Consultative Committees, to ensure efficient and effective use of resources.
- Contribute to the ongoing development of stronger relationships between the ACT, NSW, Federal and local governments for the benefit of the regional communities.
- Work in a way which avoids unnecessary duplication

Core Activity 2

Communication

- Enhance ongoing communication with stakeholders and communities of interest to ensure the work done by the Board is timely and relevant.
- Provide advice to the relevant governments regarding issues affecting the region to ensure policy and programs developed by the governments are appropriate to the region.
- Act as a conduit between regional communities and government agencies, at all levels on matters affecting the economic well being of the region and its residents.
- Market the region as a viable alternative business destination
- Researching and disseminating information and statistics relating to the people and industries of the region (possibly requiring additional funding)

Core Activity 3

Advocacy

- Provide support for worthwhile regional projects and activities which may include infrastructure or job creation projects championed by the public or private sector, or any level of government.
- Lobby relevant bodies in relation to supported regionally initiated projects and activities