

SENATE SELECT COMMITTEE: JOBS FOR THE FUTURE  
IN REGIONAL AREAS

Per Capita Australia

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## About Per Capita

*Per Capita* is an independent public policy think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice. Our research is rigorous, evidence-based and long-term in its outlook.

We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

This submission was prepared by Emma Dawson, Shirley Jackson and Warwick Smith.

## Terms of Reference

The committee will inquire and report on the following matters:

- a. new industries and employment opportunities that can be created in the regions;
- b. the number of existing jobs in regional areas in clean energy technology and ecological services and their future significance;
- c. lessons learned from structural adjustments in the automotive, manufacturing and forestry industries and energy privatisation and their impact on labour markets and local economies;
- d. the importance of long-term planning to support the diversification of supply chain industries and local economies;
- e. measures to guide the transition into new industries and employment, including:
  - i. community infrastructure to attract investment and job creation;
  - ii. the need for a public authority to manage the transition;
  - iii. meaningful community consultation to guide the transition; and
  - iv. the role of vocational education providers, including TAFE, in enabling reskilling and retraining;
- f. the use of renewable resources in Northern Australia to build a clean energy export industry to export into Asia; and
- g. any related matters.

## Executive Summary

There are numerous reasons for working to improve employment outcomes in regional Australia. These include the wellbeing and viability of regional and rural towns and cities as well as the need to take pressure off overcrowded capital cities, where infrastructure is straining to keep up with population, particularly in Melbourne and Sydney.

Our unique country, with a vast land mass and low population density, requires unique regional development solutions. While lessons can be learnt from successes and failures in other countries, we need to chart our own course, acknowledging our unique challenges and advantages.

The goal should be 'sustainable prosperity' for our regions (Jackson, 2017), not economic growth and job creation at all costs. Achieving socially, economically and environmentally sustainable employment growth in regional Australia will require a well-designed national process that allows for the creation of location specific programs: a program that works in Geelong will not necessarily work in Broken Hill. We cannot create one-size-fits-all, top-down solutions to regional development. Instead we need processes that result in tailored combinations of skills and training development, infrastructure provision, direct government job creation and industry policy solutions that assist and encourage the expansion of existing businesses and the creation of new businesses in regional Australia.

Similarly, we need different solutions for regional areas with existing high unemployment than for those facing future employment transitions. We must not wait until disruption and structural adjustment are upon a community before we act. Skill atrophy and entrenched unemployment and underemployment take hold quickly in towns and regions experiencing declining employment or major industry closure. Anticipating such events and setting in train transition programs years in advance is critical for the wellbeing of affected individuals and communities.

This submission addresses points a, c, d and e of the commissions Terms of Reference.

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(a) new industries and employment opportunities that can be created in the regions;

There is significant need for a program of stable and secure job creation in regional Australia as part of a broader program to achieve full employment across the country. While the unemployment rate is currently comparable between urban and regional Australia on average, the participation rate is significantly lower in the regions. While the greater metropolitan areas of our capital cities enjoy an average participation rate of 68.1%, the rest of Australian has a participation rate of 56.5% (Figure 1).

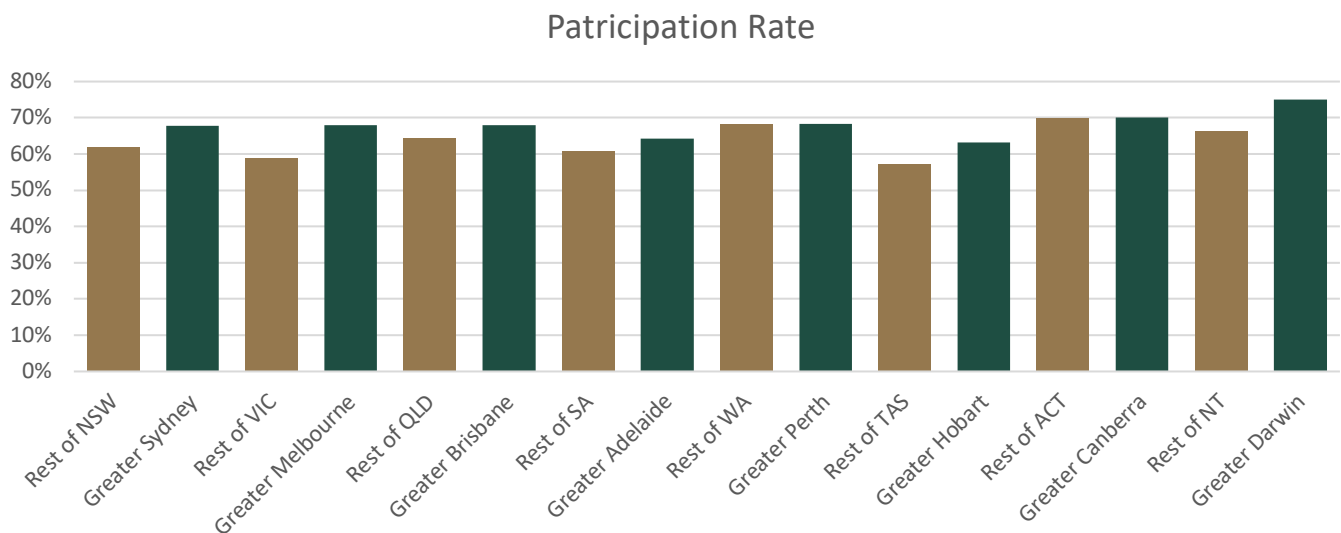


Figure 1. Participation Rate. Source: ABS

While this in itself is cause for alarm, some areas fare worse than others. Regional centres like Coffs Harbour and Port Macquarie on the Mid-North Coast of NSW, and Toowoomba and Wide Bay in QLD have participation rates below 50%. This creates a vicious cycle of economic depression as less money is being spent back into local communities, making it harder for local businesses to expand and take on additional workers. In short, regional Australians need secure jobs in stable industries. While the mining lobby is currently asking the government to re-invest in their industry, there is little evidence to suggest that this investment will result in significant job creation (Figure 2).

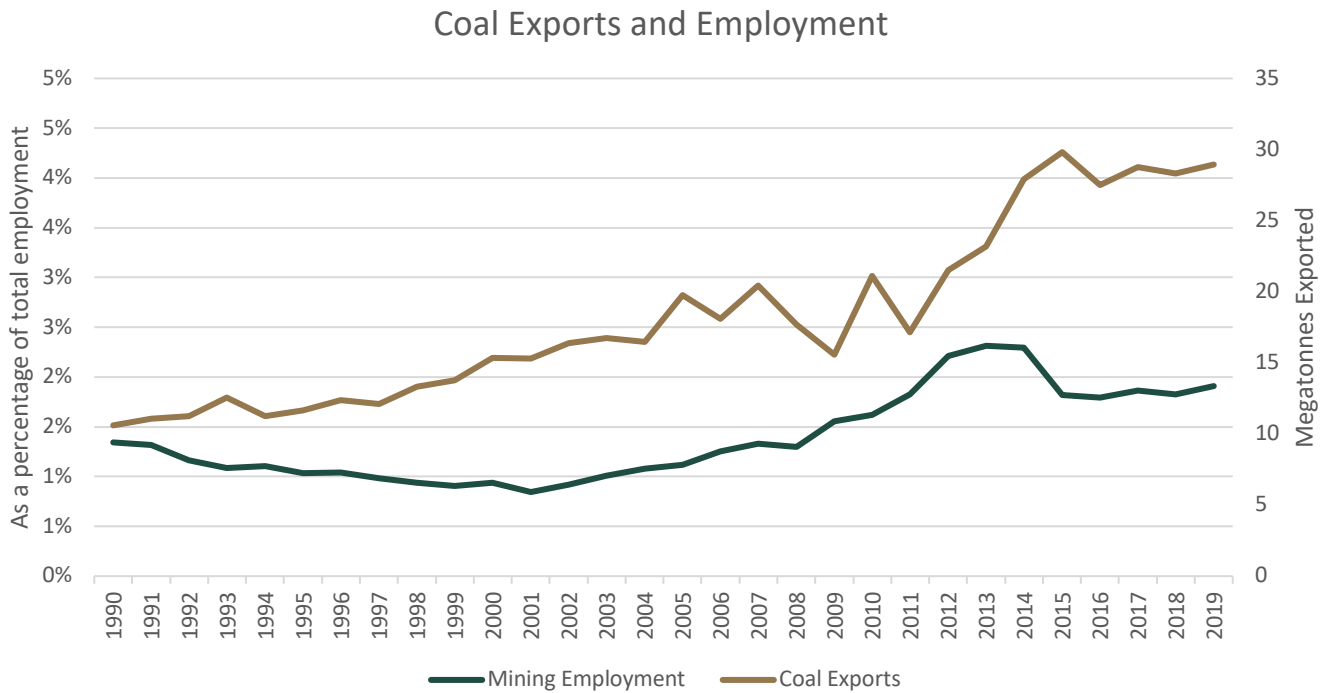


Figure 2. Coal Exports and Employment. Source: ABS

While coal exports in Australia have continued to rise since the turn of the century, growing by 137% from 11 megatons in 1990 to 29 megatons in 2019, mining employment has remained relatively stagnant. Over the same period, while employment in mining increased throughout the mining boom, it has remained relatively stagnant since 2015.

Further, the CSIRO have found that attitudes towards mining have changed. While Australians do believe that mining creates employment and economic benefits, they also found that Australians know that those benefits are not being distributed fairly (Moffat et al., 2017, pp. 7–10). Most importantly, the mining communities themselves report that they don't feel they're getting a fair share of those benefits.

While mining jobs do exist in regional areas, there are other industries that can create more stable and secure employment opportunities for regional Australia.

In Victoria, after the collapse of the car manufacturing industry that built Geelong into a thriving regional community, the state government is investing money into kickstarting wind turbine manufacturing<sup>1</sup> into the old Ford site. They're also investing billions of dollars into creating the nation's largest windfarm<sup>2</sup> between the regional centres of Geelong and Ballarat.

Nature based tourism is already a critical part of Australia's economy, but our national parks and nature reserves are, in many areas, critically underfunded and understaffed (Davies, 2018). A renewed government commitment to properly resourcing our national parks would directly create jobs, which in

<sup>1</sup> <https://reneweconomy.com.au/vestas-brings-winds-of-change-to-victoria-manufacturing-with-turbine-plant-in-geelong-12702/>

<sup>2</sup> <https://www.theage.com.au/politics/victoria/nation-s-biggest-wind-farm-could-be-built-between-geelong-and-ballarat-20180504-p4zdgf.html>

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turn would indirectly create employment and would encourage increased nature-based tourism and related regional employment. The expansion of Indigenous ranger programs and other traditional owner custodianship is also a valuable element of Indigenous regional employment. Combining biodiversity conservation with employment and increased sustainable regional economic activity is a perfect illustration of the critical role for government in regional development.

The creation of universities and new campuses of existing universities in regional towns and cities has great potential for direct and indirect job creation and decentralisation. Past examples, with varying degrees of success, include Armadale, Lismore, Albury, Bendigo, Ballarat and Tamworth. While some of these universities continue to thrive, many are undervalued and under supported and are in decline. Reinvigorating existing regional campuses and the creation of new campuses should be part of a broad regional employment and decentralisation strategy.

Other opportunities exist in medical manufacturing. While Australia has a high skilled manufacturing base, Austrade estimates<sup>3</sup> that we are only contributing to 2% of the global market for medical manufacturing and import almost 80% of our medical equipment from foreign producers. Innovative solutions are currently being sought, and next year Bundaberg is set to become the largest grower of medicinal cannabis<sup>4</sup> in the country.

These jobs are a small part of a growing manufacturing sector. Australia is leading the world<sup>5</sup> in a number of medical instruments from 3D customised titanium implants, continuous positive airway pressure (CPAP) devices for sleep apnoea, insulin delivery devices, and diagnostic technologies for sleep disorders, neurophysiology and cardiology

Strategic investments in renewables, medical manufacturing, nature conservation and infrastructure projects could go a long way towards winning back the trust of Regional Australians. However, it is unlikely that the mining lobby will see this as a solution to the regional question they keep asking.

While coal mining and gas and oil extraction will gradually be phased out as global and local demand for non-renewable energy sources declines, mining at a smaller scale will, for the foreseeable future, continue to play an important role in the burgeoning renewable energy sector. For example, Australia is well placed to become a major battery manufacturer, rather than simply digging up the raw materials, including lithium, and shipping them overseas. There are significant challenges in us achieving this aim, not least is the innovation and expertise in refinement (Vernon, 2018), but we must take on these challenges if we are to prosper in the 21<sup>st</sup> century and beyond and contribute our skills and ingenuity in tackling climate change.

Ultimately, Australia stands on the verge of a new economy. It is up to all of us to decide if we want to support regional Australians and invest in new industries or leave them dependent upon a mining lobby that describes paying them a living wage as an act of coercion (McCauley, 2019).

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<sup>3</sup> <https://www.austrade.gov.au/ArticleDocuments/2814/Medical-Devices-and-Diagnostics-Industry-Capability-Report.pdf>

<sup>4</sup> <https://www.bundabergnow.com/2019/09/09/medicinal-cannabis-growth-crop/>

<sup>5</sup> <https://www.austrade.gov.au/ArticleDocuments/2814/Medical-Devices-and-Diagnostics-Industry-Capability-Report.pdf>

(c) lessons learned from structural adjustments in the automotive, manufacturing and forestry industries and energy privatisation and their impact on labour markets and local economies;

Australia does not have a good record with periods or instances of structural adjustment when it comes to the employment outcomes of retrenched workers. Major examples include the dramatic decline of the textiles industry, the closure of Ansett airlines, the demise of automotive manufacturing and assembly and the decline of coal in our electricity generation mix. Policy responses have often focussed on training and skill development, which is important but of limited assistance in situations when there is a shortage of labour demand (Weller, 2009). While some retrenched workers relocate to areas with higher employment opportunities, many remain trapped in regions of high unemployment, particularly older workers. In most instances where there were mass layoffs a substantial proportion of the retrenched workforce did not return to stable, long-term employment and the majority of older workers remained unemployed until retirement (Armstrong, Bailey, De Ruyter, Mahdon, & Thomas, 2008).

The key message from examining past structural adjustments is that there are no standard transition packages or policies. Every instance is different, and every response needs to be tailored to the specific place and time. Automotive industry closures in Geelong had a much more devastating impact on workers than comparable closures in Adelaide because of the economic conditions, the local labour market and alternative employment (Barnes, 2016).

The implication of this is that future adjustment packages and policies need to consider and balance a range of services including job creation, skills and training, relocation assistance, and counselling and advice services that are commenced well ahead of the occurrence of mass layoffs and are tailored to that place and time.

Meaningful job creation can't be done in large numbers at the time of transition but requires location and sector specific programs commenced years in advance. Economic complexity research in Australia has found substantial unexploited "opportunity value" across the country that could be used to guide effective industry policy (Reynolds et al., 2017). What's needed in order to stimulate the creation of jobs where they are needed is adjustment programs that are tailored to specific conditions and opportunities in regions of high unemployment or where we know major structural adjustments are on the horizon. Intentionally increasing local and national economic complexity through strategic industry policy will not only make us more resilient and able to withstand future structural adjustments it will also reduce inequality (Hartmann, Guevara, Jara-Figueroa, Aristarán, & Hidalgo, 2017).



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(d) the importance of long-term planning to support the diversification of supply chain industries and local economies;

A report from the mining lobby this year (McCauley, 2019), claims that the government must learn the lessons of the past. We certainly do need to look at the mistakes made during the Mining Boom. However, the problem is not that the mining companies were ‘forced to offer high salaries and generous benefits’ to qualified workers, as the mining lobby claims. The problem with the mining boom is that mining companies feel entitled to profit from mineral extraction and worker exploitation in the first place.

Many economists will point to the highly productive mineral sector as a justification for acquiescing to the demands of the mining lobby – and they’re not wrong.

Between 2002 and 2012, the RBA estimates that the price paid for Australia’s extractive economy more than tripled and investments in the sector grew from 2 to 8% of GDP (Tulip, 2014, p. 17). There is little doubt that money was made over the period of the mining boom; the problem is that it irrevocably damaged the economy.

While prices in mining grew, the Australian dollar appreciated significantly. While our dollar being valuable might seem like a good thing to the average consumer, as prices of imported goods like smartphones, electronics and fashion dropped, this appreciation of our currency hindered our agricultural and manufacturing sectors (Tulip, 2014).

Unlike the mining sector, which at its height accounted for just over 4% of total employment (see Figure 1), manufacturing and agriculture combined used to employ a quarter of Australian workers. Since the start of the mining boom, this combined employment has fallen to just over 15%.

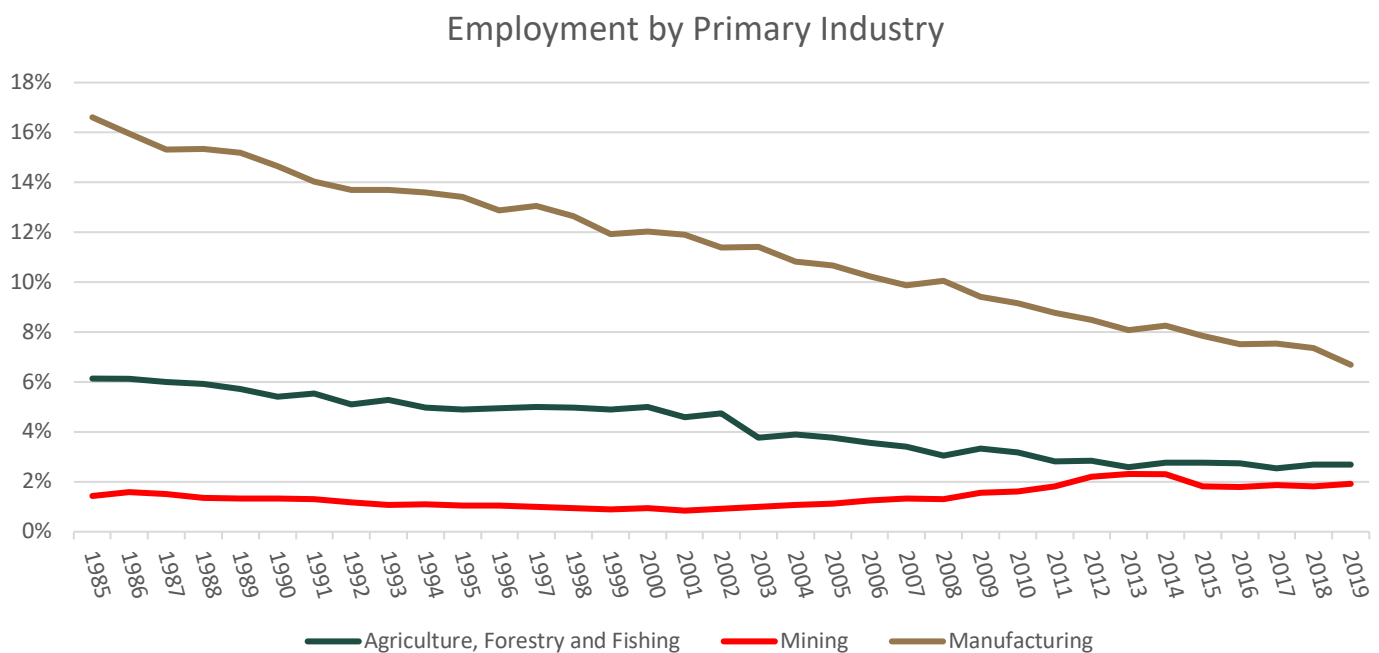


Figure 3. Employment in Primary Industries

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This means fewer workers with secure jobs in Australia. What makes matters worse is that those lost manufacturing and agricultural workers spent their wages back into the local economy, paid their taxes and contributed to the community in a positive way. The mining companies on the other hand have spent decades sending profits offshore, avoiding their tax obligations and damaging the environment (Adams, 2012; Chenoweth, 2015; Nassim Khadem, 2018).

(e) measures to guide the transition into new industries and employment, including:

- community infrastructure to attract investment and job creation;
- the need for a public authority to manage the transition;
- meaningful community consultation to guide the transition; and
- the role of vocational education providers, including TAFE, in enabling reskilling and retraining;

## ***Economic complexity and industry policy***

As mentioned in (c) above, meaningful job creation can't be done in large numbers at the time of transition but requires location and sector specific programs commenced years in advance. Economic complexity research in Australia has found substantial unexploited "opportunity value" across the country that could be used to guide effective industry policy (Reynolds et al., 2017). What's needed in order to stimulate the creation of jobs where they are needed is adjustment programs that are tailored to specific conditions and opportunities in regions of high unemployment or where we know major structural adjustments are on the horizon.

The key limitation of economic complexity analysis is that it does not consider relationships, population density and geography. Combining economic complexity with knowledge network analysis and maps of the distribution of current economic activity in specific regions would create a resource that could inform multiple levels of policy-making. Such a resource could be used to discover industries and locations with the greatest growth potential, in order to effectively direct government resources. Additionally, it would be possible to identify the best opportunities for particular towns or regions that are at risk or that have particularly high unemployment.

Intentionally increasing local and national economic complexity through strategic industry policy will not only increase employment, make us more resilient and able to withstand future structural adjustments, it will also reduce inequality (Hartmann et al., 2017).

## ***Farming***

Per Capita supports the National Farmers Federation in their commitment to improve farming sustainability and acknowledge that these goals for environmental sustainability will also support economic sustainability, regional employment and our ongoing food security.

*"The NFF supports a target of 50% renewable energy for farm energy sources by 2030, as well as goals for a trajectory to a carbon neutral agriculture sector, a 20% increase in water efficiency, and halving of food waste by 2030. We encourage the ongoing adoption of sustainable farming methods and technologies in agriculture, and believe that environmental stewardship efforts by farmers should be rightly recognised and rewarded. Finally, we support maintaining Australia's total farmed area at 2018 levels."*

*NFF submission to this inquiry.*

## **Government services and infrastructure**

Governments, both state and federal, can and must play a role in the sustainable development of regional Australia. Reliable access to education, healthcare and transport are critical prerequisites for many in their decision to move away from major population centres. This “chicken and egg” problem is one that governments can resolve with effective research and planning. Waiting until population pressures demand health, education and transport infrastructure before providing it will deter the decentralised population distribution that is desired. A well planned “build it and they will come” approach to infrastructure, combined with location specific industry policy is the clearest way forward. This inherently requires government, business and civil society organisations to work collaboratively at every step.

## **Electricity**

Electricity privatisation has not led to cheaper electricity prices for regional Australia as was promised by state and federal governments. The exploitation of Australia’s abundant renewable energy sources will not only create employment in the renewable energy sector but also has the potential to provide more affordable electricity to consumers and businesses. Energy costs are a critical factor in the capacity of many industries to compete internationally, particularly manufacturing. A focus on the rapid development of cheap and reliable renewable energy is a critical component of reinvigorating Australia’s manufacturing sector.

## **Vocational education**

The role vocational education and training (VET) can play in a transitional economy is significant. A high-quality VET sector provides opportunities for retrenched workers to quickly retrain and find work in industries with skills shortages, or to utilize and build on existing skill sets for growing industries. However, it is essential that the role of VET in the transition be led by TAFE and not by private providers.

Currently, there are almost 5,000 registered training providers in Australia, and while most students are recipients of government subsidies, almost half of those providers are private enterprises (Korbel & Misko, 2016).

While the 51 remaining TAFE institutions make up a small fraction of the VET providers following successive rounds of deregulation and privatisation by state governments since the 1990s, each institution services an average of 19,577 students. This is approximately 20 times the average for private providers. The reason for this consumer choice is reflective of the comparatively low quality of private providers.

The NTEU estimates that, in the case of Victoria, the money used by private enterprises has often been used to undercut the pay and conditions of the public providers (Kniest, 2014). The behaviour of private providers is well known to government, as the final report of the Senate inquiry into private providers in the VET notes:

*...a swathe of evidence from students, staff and advocates that high pressure sales pitches aimed at securing students involved practices such as promises of equipment, downplaying the level of debt the students would incur and providing deceptive impressions of the qualifications to be earned or employment opportunities which would follow. (Education and Employment References Committee, 2014, p. 27).*

These practices are not isolated to individual providers who were operating unscrupulously. The most recent strategic review of registered training organisations by the Australian Skills Quality Authority

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(ASQA) found that 45.3% of those investigated 'were identified as having one or more areas of possible non-compliance' (The Australian Skills Quality Authority, 2013, p. 10).

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