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Jobs for the Future in Regional Areas: Submission to the Senate Select Committee into Jobs for the Future in Regional Areas September 2019



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Summary of recommendations

This submission contains a number of recommendations that enable the growth of jobs in the regions now and into the future:

Recommendation 1:

- Develop and update tourism hard and soft infrastructure in the regions through infrastructure grants to support increased visitation from both domestic and international visitors and encourage greater regional dispersal.
- Support the development of skills and labour in regional Australia.
- Continue to expand and support the Working Holiday Maker program including allowing for longer periods of continuous work in regional areas for tourism.

Recommendation 2:

- Raise the profile of agritourism to increase visitation to the regions.
- Provide training support programs to build capacity for agritourism operators to be domestic and international ready.
- Support positive linkages with tourism and ecological services to maintain healthy ecosystems essential to tourism services.

Recommendation 3:

- Work with and better promote regional education institutions to attract greater numbers of international students to the regions.
- Create infrastructure and appropriate support structures to retain students in the regions after completion of study.

Recommendation 4:

Continue to improve digital infrastructure in the regions and facilitate digital connectivity for businesses and employees relying on the network for their businesses and jobs.

Recommendation 5:

- Increase government support for regional airport redevelopment and regional airport infrastructure through grants and funds.
- Invest in airport security from existing government resources and leverage advanced technology to improve regional connectivity.

Recommendation 6:

- Australia needs a robust vocational education and training (VET) system capable of delivering quality outcomes that meet the skills needs of industry and boost workforce participation and social inclusion.
- A strong system of both public and private providers, underpinned by a well-resourced national regulator operating in a client focussed competitive environment is needed to ensure that learners and employers are able to exercise choice in accessing the training they need where and when they need it.
- Encourage the development of skills sets and micro-credentials.

Recommendation 7:

- Allow regional employers access to all skilled occupations under the temporary migration program.
- Create pathways to permanency for regional migration to encourage migrants to build roots in the community.
- Improve social, economic and educational opportunities in the regions to retain population.

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1 Introduction

The Australian Chamber of Commerce and Industry (Australian Chamber) welcomes the opportunity to make a submission to the Senate Select Committee's Inquiry into Jobs for the Future in Regional Areas. This submission does not set out to provide detailed commentary on all of the terms of reference, but will cover issues most relevant to the Australian Chamber membership. The submission highlights the trends in regional jobs, industry opportunities such as those in tourism and agritourism, education; and key policies such as skills, infrastructure including digital communications and airport infrastructure, and migration to boost job creation in the regions in the future.

Capital city economies have grown faster than regional economies over the last decade, with Australians and migrants moving to take up attractive opportunities in the capital cities and in cities of the mining states of WA and Queensland. Over 60 percent of Australia's population now resides in the capital cities. With concentrated population, cities have become the jobs and innovation hub of Australia delivering productivity and growing our economy. Large population centres also support increased building activity and attract infrastructure and services funding which in turn creates more jobs.

Population moves to where the jobs are and jobs are created where there is population growth and economic opportunity. Jobs can be created in the regions to attract Australians, with positive policies that support this growth. Importantly, this can and should be achieved without policies that actively disadvantage population and jobs growth in the cities. This not a zero sum game.

2 Where regional jobs are now

Jobs in regional Australia, according to the ABS Census 2016 data, reflect that predominantly jobs are in the well-established industry sectors (refer to Figure 1).

The Health Care and Social Assistance industry employed the largest proportion of people in regional Australia (13.4%), followed by retail trade (10.3%), construction, education and training (8.8% each) and accommodation and food service (7.6%). All of these service industries employ a higher proportion of workers in regional Australia compared to the economy overall. Not unexpectedly, there is a higher proportion of regional workers in agriculture and mining, and although these two industries do not rank in the top five directly employing industries the indirect employment generated by them is very important to regional economies.

Other major differences in the industry employment patterns between the whole economy and Regional Australia are¹:

- A smaller percentage of persons employed in professional, scientific and technical services in regional Australia (4.3%) compared to the overall economy (7.3%).
- A smaller percentage of persons employed in financial and insurance services in regional Australia (1.8%) compared to the overall economy (3.6%).

¹ id ,the population experts n.d, accessed 2 September 2019, <<https://profile.id.com.au/australia/industries?BMID=48>>.

Figure 1: ABS Census 2016 Regional Employment by Industry Sector²

Industry sector of employment

Australia - Employed persons (Usual residence)		2016		
Industry sector	Number	%	Regional Australia %	
Agriculture, Forestry and Fishing	266,943	2.5	6.5	
Mining	177,649	1.7	3.1	
Manufacturing	683,688	6.4	6.4	
Electricity, Gas, Water and Waste Services	115,767	1.1	1.3	
Construction	911,057	8.5	8.8	
Wholesale trade	307,742	2.9	2.2	
Retail Trade	1,053,819	9.9	10.3	
Accommodation and Food Services	738,234	6.9	7.6	
Transport, Postal and Warehousing	499,485	4.7	4.2	
Information Media and Telecommunications	179,534	1.7	0.9	
Financial and Insurance Services	384,603	3.6	1.8	
Rental, Hiring and Real Estate Services	182,142	1.7	1.5	
Professional, Scientific and Technical Services	775,985	7.3	4.3	
Administrative and Support Services	365,735	3.4	3.2	
Public Administration and Safety	713,141	6.7	6.4	
Education and Training	925,893	8.7	8.8	
Health Care and Social Assistance	1,351,023	12.6	13.4	
Arts and Recreation Services	176,659	1.7	1.4	
Other Services	399,629	3.7	3.9	
Inadequately described or not stated	475,144	4.4	4.0	
Total employed persons aged 15+	10,683,872	100.0	100.0	

With respect to the occupation (Figure 2), Professionals formed the largest proportion (16.9%) of those employed in Regional Australia, followed by Technical and Trades Workers (15.3%), Managers (13.4%) and Clerical and Administrative Workers and Labourers (12% reach).

² id ,the population experts n.d, accessed 2 September 2019, < <https://profile.id.com.au/australia/industries?BMID=48>>.

Figure 2: ABS Census 2016 Occupation of Employment³

Occupation of employment

Australia - Employed persons (Usual residence)		2016		
Occupation	Number	%	Regional Australia %	
Managers	1,390,044	13.0	13.4	
Professionals	2,370,965	22.2	16.9	
Technicians and Trades Workers	1,447,404	13.5	15.3	
Community and Personal Service Workers	1,157,010	10.8	11.7	
Clerical and Administrative Workers	1,449,672	13.6	12.0	
Sales Workers	1,000,958	9.4	9.6	
Machinery Operators And Drivers	670,111	6.3	7.5	
Labourers	1,011,523	9.5	12.0	
Not stated or inadequately described	186,161	1.7	1.7	
Total employed persons aged 15+	10,683,848	100.0	100.0	

Other major differences in the occupation patterns between the whole economy and Regional Australia are

- A smaller percentage of persons employed as Professionals in regional Australia (16.9%) compared to the overall economy (22.2%).
- A smaller percentage of persons employed as Clerical and Administrative Workers in regional Australia (12%) compared to the overall economy (13.6%).
- A larger percentage of persons employed as Labourers in regional Australia (12%) compared to the overall economy (9.5%).
- A larger percentage of persons employed as Technicians and Trades Workers in regional Australia (15.3%) compared to the overall economy (13.5%).⁴

Characteristics of Employment: Part time employment is slightly more prevalent in regional Australia compared to the national average (35.7% v 33.7%), and the participation rate is significantly lower in regional Australia compared to the national average (56.5% v 60.3%)⁵.

³ id ,the population experts n.d, accessed 2 September 2019, <<https://profile.id.com.au/australia/occupations?BMID=48>>.

⁴ id ,the population experts n.d, accessed 2 September 2019, <www.profile.id.com.au>.

⁵ www.profile.id.com.au derived from the Census 2016

Although in many cases jobs in regional Australia follow a similar pattern to the rest of the economy, there are important differences as outlined. Strong industries that provide employment to a majority of regional Australians should not be ignored. Conducive and supportive policies that drive growth in these industries is essential to maintain employment and growth in the regions. The table also helps identify industries that present opportunities for further growth in regional Australia such as accommodation and food services (hospitality and tourism), education and training (international education exports) and Agritourism.

3 Future of Work

There has been a great deal of commentary issued about the future of work. At the one extreme, CEDA in its 2015 report highlights that 40% of current jobs are considered at high risk of automation over the next 10-15 years. More than half of young Australian students are currently getting educated for dying jobs: nearly 60% of students are being trained in occupations where the vast majority of jobs will be radically affected by automation in the next 10-15 years.

However, according to Deloitte's Future of Work report⁶, although technology is changing the future of work, it is not a substitute for people and jobs will not disappear; rather the nature of jobs is likely to change. Employment in the roles that are hardest to automate, which require human skills, are growing. Over the next two decades, the jobs most unlikely to be automated are those that involve creative intelligence, social intelligence and problem solving. Such skills include confidence, communication, creativity, project management, enthusiasm for learning, critical thinking, team work, digital literacy, financial literacy and global citizenship. For young people to secure the jobs of the future, be they manual or cognitive, they will need to exhibit skills in these areas.

- For non-routine manual jobs, key skills in the jobs of the future that are at low risk of automation include basic problem solving, communication, and interpersonal skills.
- For non-routine cognitive jobs, key skills in the jobs of the future include complex problem solving, judgement, creativity, social intelligence and persuasion.

Deloitte refers to the work of the heart – roles that require interpersonal and creative skills as those likely to be the hardest to automate. Deloitte predicts that by 2030, one quarter of Australia's workforce will be professionals and most of these will be in business services, health, education or engineering. As the Census 2016 trend reflects, Regional Australia has a larger proportion of those employed in health and education and these industries are projected to grow. On the other hand, with a much smaller share of professional jobs, particularly in finance industry, the predicted growth in these areas will not have as a great an impact on regional Australia. Moving from one occupation to another is usually thought of as a burden with significant costs to both employer and worker. However, jobs are actually more related to each other than previously thought, and not all jobs require an entirely new skill set. Many skills are in fact portable to other jobs, so on average when you train or work in one job, you acquire the skills for 13 other jobs. There is a need for more initiatives facilitating the transition of workers between jobs and a need for greater utilisation of transferrable skills. Given current industry trends and projected spend in areas such as

⁶ Deloitte 2019, Why the Future of Work is Human, accessed 2 September 2019, < <https://www2.deloitte.com/us/en/insights/focus/technology-and-the-future-of-work/building-the-lucky-country.html>>

infrastructure, in regional Australia there will be growth in health, construction and education jobs, but potentially weaker growth in retail. There are some other specific opportunities that are worthy of being discussed in more detail.

4 Future Opportunities

4.1 Tourism

Tourism directly contributed \$57.3 billion to Australia's GDP in 2017-18 and accounts for almost 10% of Australia's total exports worth \$37.4 billion. By 2024-25, overall inbound tourism expenditure could generate \$67.8 billion in real terms⁷. Deloitte in its 2013 report has identified tourism and the visitor economy as one of five "super-growth industries" for Australia⁸. With domestic tourism expenditure also expected to grow substantially, the visitor economy could be one of the biggest drivers of new jobs over the next decade.

According to 'Regional 2030 – Unlocking Opportunity', 45 cents from every dollar spent by both international and local visitors is spent in a regional area⁹. Domestic overnight visitors were most likely to disperse outside of the capital cities, with 63% of trips including regional Australia¹⁰. Regional visitation by international travellers has been on the rise with 56% of the New Zealand, European and North American market visiting regional Australia as compared to the capital cities and Gold Coast¹¹. This reflects the enormous potential in our regions to become valued tourism destinations for both domestic and international visitors. The creation of Regional Tourism as a portfolio with an Assistant Minister reflects the recognition that tourism is growing in importance in the regions.

However, Tourism Research Australia's State of the Industry Report 2017-18¹² reflects that while the number of domestic and international visitors to Australia are increasing, the challenge is in enticing larger numbers to travel to the regions – regional dispersal. With the average duration of domestic trips in decline, it is likely to lead to less dispersal to the regions. The average length of a domestic overnight trip fell slightly, down 0.3% to 3.5 nights, while those travelling for holiday dropped further with average nights down 2%. This has been a continuing trend for some time with the average length of a domestic overnight trip having fallen by 13% since 1999 and 8% since 2009¹³.

Current Labour and Skills Needs of the Sector: Regional tourism destinations are already experiencing labour and skills shortages that are impeding the delivery of excellent tourism services, affecting the productivity, competitiveness and future growth of the sector. For

⁷ Tourism Research Australia, 2016, Tourism Forecasts 2016, p.10

⁸ Deloitte, 2013, Positioning for prosperity? Catching the next wave

⁹ Department of Infrastructure and Regional Development, 2017, Regions 2030; Unlocking Opportunity, p. 6

¹⁰ Tourism Research Australia 2018, State of the Industry 2016-17, p.12

¹¹ Tourism Research Australia 2018, International Visitors Survey year ending March 2018

¹² Tourism Research Australia 2018, *State of the Industry 2017-18*, accessed 30 August 2019, <<https://www.tra.gov.au/Economic-analysis/state-of-the-industry>>.

¹³ Tourism Research Australia 2019, National Visitors Survey Year Ending March 2019, <<https://www.tra.gov.au/Domestic/Domestic-tourism-results/domestic-tourism-results>>

example, tourism related job vacancy rates across Victoria are high at 10%, with approximately 32,000 additional workers forecast to be needed in Victoria between 2015 and 2020, including around 9,000 skilled workers¹⁴. The sector's growth trajectory and the scale of employment opportunities that will accompany this growth are not well known, even though the number of people employed in tourism in Australia grew at a much faster rate than total employment over the period 2016-17 to 2017-18, with over 995,000 people employed in Tourism directly or indirectly¹⁵.

Enabling Infrastructure and Support Capabilities: Tourism is a relatively new industry in many areas where in the past there may have been very little tourism (even domestic tourism). Although the region may receive an influx of visitors, the region might not have the required infrastructure and support needed to cater to them. Growing the number of visitors presents the challenge of continuing to provide a diverse range of product that will attract new and repeat visitors, along with promoting geographic dispersal of visitors and ensuring that tourism infrastructure is up to the task. Federal governments have an inconsistent history when it comes to funding tourism-related and demand-driven infrastructure. Local grant programs appeal to governments and local members because they can produce valuable product. On occasion, they can fail to link properly with broader objectives. There is an ongoing need to fund tourism-related infrastructure including smaller projects that can drive demand and develop quality product by understanding existing and potential markets in the regions. A particularly good example is that of the grey nomads¹⁶ visiting the deep dark regions of Australia. A recent report on the influx of grey nomads, tripling the population of Broome during the winter months attracted a lot of attention for the wrong reasons¹⁷. Limitation in the town's capacity to cater to these travellers has highlighted an important policy issue at the heart of these reports - capacity constraint and lack of infrastructure in our regions.

This requires skills in packaging, promotion and product development. There is also the skills base in the surrounding businesses dealing with these visitors that may or may not recognize they are in tourism. There needs to be a focus on building up capacity of business operators and the community to deal with the influx of visitors to capitalise on the jobs and economic development they bring to the regions.

An example of where infrastructure development in the regions has helped boost jobs and the local economy is the 2019 extension of the existing Eden wharf on the NSW South Coast. It was a partnership involving the NSW Government with a \$32 million contribution, \$10 million from the Australian Government and \$2 million from Bega Valley Shire Council¹⁸. The extension will boost the regional economy with over 21 cruise ships booked in for the upcoming cruise season, creating economic and investment opportunities in tourism and much needed employment for Eden and its surrounds. Similar opportunities exist across the country to open

¹⁴ Tourism Research Australia 2015, Australian Tourism Labour Force Report 2015-2020, accessed 6 September 2019 <<https://www.tra.gov.au/Archive-TRA-Old-site/Research/View-all-publications/All-Publications/australian-tourism-labour-force-report-2015-2020>>.

¹⁵ Tourism Research Australia 2019, State Tourism Satellite Accounts 2017-18, accessed 6 September 2019, <<https://www.tra.gov.au/economic-analysis/economic-value/state-tourism-satellite-account/state-tourism-satellite-account>>.

¹⁶ A retired person who travels independently and for an extended period within their own country, particularly in a caravan or motor home.

¹⁷ <https://www.abc.net.au/news/2019-08-04/grey-nomads-urged-to-be-more-polite-in-tourist-towns/11349400>

¹⁸ <https://aboutregional.com.au/visionary-eden-gathers-to-celebrate-cruise-milestone-new-wharf-open/>

up regions to greater visitation and wider dispersal, harnessing the potential of tourism as a super growth industry.

The Australian Chamber welcomed the earmarking of funds (\$45 million) under the Building Better Regions Fund (BBRF) round three, for tourism related infrastructure projects to help stimulate regional economies by investing in the tourism sector¹⁹. Round four of the BBRF is expected to open late 2019 and it is recommended that funds once again be ear marked for tourism related projects. Changes to Tourism Australia's Business Events Bid Fund program criteria is also welcome since it facilitates a greater number of bids, particularly from regional Australia. Business Events is an important sector in the visitor economy that delivers wider benefits to the overall economy. The changes offer greater assistance to regional destinations to bid for smaller international events and increase the number of events in Australia.

Working Holiday Makers: Working holidaymakers are an important component of the visitor market. The working holidaymaker program encourages cultural exchange and closer ties between arrangement countries by allowing young people to have an extended holiday supplemented by short-term employment. According to the latest figures from the National Institute of Labour Studies at Flinders University, working holidaymakers created 23,000 jobs in the Australian economy, and spent two and a half times more than they earned, while 30% of working holidaymakers did not work at all²⁰. The flexibility and value of working holidaymakers to the seasonal labour needs of businesses, especially in regional Australia is substantial. The program deliver enthusiastic and mobile young workers particularly into the regions to provide the labour needed when it is most valuable. These workers generally have skills above the seasonal job requirements, which increases the productivity benefit. This seasonal work is often not attractive or suitable for young unemployed Australians who are looking for longer-term employment solutions.

The Australian Chamber welcomes the Government's continued expansion of the Working Holidaymaker program, including additional agreements with countries, increasing existing caps, extending the age limit and allowing for a third-year visa if the applicant has completed at least six months of specified regional employment. The marketing campaign, 'Australia Inc', targeting working holidaymakers from the UK, Germany and France is also welcome since these traditional markets have witnessed a steady decline in numbers in recent years.

The White Paper on Developing Northern Australia recommends that the working holidaymaker program be expanded by allowing participants to work longer in high demand areas in northern Australia, such as tourism and hospitality²¹. Working holidaymakers are currently only permitted to stay with a single employer for six months, with some exceptions. This recommendation is thus relevant to other regions in Australia that are in need of seasonal workers to fill their labour and skills shortages.

¹⁹ Department of Industry, Innovation and Science 2019, Building Better Regions Fund, accessed 6 September 2019, <<https://www.business.gov.au/assistance/building-better-regions-fund>>.

²⁰ National Institute of Labour Studies, Flinders University 2009, Evaluation of Australia's Working Holiday Maker (WHM) Program.

²¹ Department of Industry, Innovation and Science 2015, Our North, Our Future: White Paper on Developing Northern Australia, accessed 6 September 2019, <<https://www.industry.gov.au/sites/g/files/net3906/f/June%202018/document/pdf/nawp-fullreport.pdf>>.

Recommendation 1:

- Develop and update tourism hard and soft infrastructure in the regions through infrastructure grants to support increased visitation from both domestic and international visitors and encourage greater regional dispersal.
- Support the development of skills and labour in regional Australia.
- Continue to expand and support the Working Holiday Maker program including allowing for longer periods of continuous work in regional areas for tourism.

4.2 Agritourism

'Agritourism', also known as food tourism is the act of going to a region to visit a farm or food-related business (including restaurants, markets/events, produce outlets and natural attractions) for enjoyment, education, or to participate in activities and events²². Agritourism is increasingly growing in regional Australia for domestic and international visitors alike. According to data collected by Tourism Research Australia, between 2010-11 and 2015-16:

- The number of domestic tourists who visited a farm on their trip increased by 9% per annum on average, while the comparable number of international tourists increased by 11% per annum
- The number of domestic tourists visiting wineries grew by 13% per annum on average, while the number of comparable international visitors increased by 8% per annum.

Combining domestic and international visitors, this represents an additional 1.8 million tourists visiting farms each year, and an additional 3.7 million tourists visiting wineries²³. From truffle farms, tea-rooms and wine tastings to farm stays, the breadth of the industry is growing. Agritourism has an important role in creating a direct connection between the primary producers and the end consumer. For primary producers, it provides an opportunity to diversify; supplement their income and market their produce through alternative channels, often attracting a premium price, or capturing margin that would otherwise be captured elsewhere in the food value chain, whilst gathering valuable direct feedback from end consumers about their produce and emerging consumer preferences²⁴.

Regional areas are the primary benefactors of Agritourism. However, labour shortages or lack of adequate skills for businesses to be able to diversify and cater to visitors, lack of accommodation and transport infrastructure are all barriers for the growth of the industry. Compounding the issue is the lack of a consistent national policy on agritourism. The Australian Bureau of Agricultural and Resource Economics – bureau of Rural Sciences in its 2010 paper highlighted factors that would enable the growth of Agritourism in Australia²⁵. The paper

²² Australian Regional Tourism 2019, *Agritourism*, accessed 30 August 2019, < <https://regionaltourism.com.au/projects/agritourism/>>

²³ Deloitte n.d, Agritourism, accessed 30 August 2019, < <https://www2.deloitte.com/au/en/pages/consumer-industrial-products/articles/agritourism.html>>

²⁴ Australian Regional Tourism 2017, *Boosting Regional Australia Through Agritourism*, accessed 30 August 2019, < <https://regionaltourism.com.au/tecset/wp-content/uploads/2018/11/Boosting-Regional-Australia-through-Agritourism-V3.pdf>>

²⁵ Australian Bureau of Agricultural and Resource Economics – Bureau of Rural Sciences 2010, *Drivers of Regional Agritourism and food tourism in Australia*, accessed 30 August 2019, < <http://www.agriculture.gov.au/abares/Documents/agritourism-2010-report-11a.pdf>>

highlights the need for creating training and extension opportunities to increase skills, particularly among farmers, to undertake agritourism and food tourism. Training support is needed in marketing, customer relations and product development. Innovative ways to deal with this deficit and also increase interest in the industry is to provide support for mutually beneficial arrangements between businesses and universities, whereby students can assist businesses with marketing, customer relations and product developments through industry placements in their businesses. There is also a need to integrate enabling transportation and connectivity infrastructure with the growing industry in the regions.

Eco or Nature Tourism: Human populations can only continue enjoying the benefits of ecosystem/ecological services like clean air and water, stable climate, pollination, soil regeneration and biodiversity if the ecosystems that provide them are healthy and properly functioning ecosystems. Increasing threats and challenges mean our ecosystems will need more active management and support to remain healthy and functioning. This means more land and resource managers in private sectors such as agriculture, forestry, fishing, and public sectors such as parks and protected areas. Healthy ecosystems and biodiversity are essential to the tourism industry as they provide the experiences that draw visitors in the first place. In positive symbiosis, tourism can also provide revenue and resources for the active management to maintain and enhance ecosystem health and biodiversity.

Recommendation 2:

- Raise the profile of agritourism to increase visitation to the regions.
- Provide training support programs to build capacity for agritourism operators to be domestic and international ready.
- Support positive linkages with tourism and ecological services to maintain healthy ecosystems essential to tourism services.

4.3 International Education

Regional educational institutions offer students in the regions the opportunity to study within easy access of their families and support structures. They contribute to regional development by fuelling the local economy by creating employment opportunities not just in education, but in the wider economy and enrich the community through greater social and cultural enrichment opportunities. These institutions can be further leveraged by attracting international students to study in our regions.

There needs to be a focused strategy to attract international students to regional universities and vocational education providers. As at July 2018, there were 626,000 international students studying in Australia, 97 percent studying in our major cities, and 70 percent in NSW and Victoria combined. International students also gravitate towards the capital regions due to its proximity to a number of tertiary education centres, availability of part-time jobs, transportation and accommodation infrastructure and services, and pre-existing diaspora networks.

The Federal Government has already taken steps in the right direction with the introduction of \$93 million regional scholarship program that will provide 4,720 scholarships and the extension of the post-study work visa by one year for international students who study in regional institutions. To be eligible for the extra year of post-study work visa, international students must graduate from a regional campus and maintain ongoing residence in a regional area while holding the first post-study work visa. This provides additional incentives for international students to study and then work in regional Australia.

Recommendation 3:

- Work with and better promote regional education institutions to attract greater numbers of international students to the regions.
- Create infrastructure and appropriate support structures to retain students in the regions after completion of study.

5 Barriers

5.1 Digital Connectivity

Access to affordable broadband in homes and communities is essential to function as a digital citizen. Ranking compiled by the Commonwealth Parliamentary Library shows Australia is lagging other OECD countries in the affordability rankings for entry-level broadband services²⁶.

Inconsistency in service delivery, lack of access and digital connectivity in the regions inhibits the ability of business to operate effectively and grow. Businesses need to be able to collaborate, market and communicate with their customers; partners and other stakeholders effectively and efficiently, to innovate and grow. It is heartening that Australia ranked first out of 65 countries in the 2019 Digital Quality of Life index, which measures internet connectivity speed, affordability, cybersecurity, the availability of data protection laws, and the quality of e-government services²⁷.

Digital connectivity - broadband network and mobile coverage will be essential to transition to a future where businesses are run out of the family home and jobs performed remotely. High quality digital connectivity is also needed to facilitate the widespread access and usage of technology as part of the learning process to ensure the development of the skills required in a digitally enabled economy, where more than 90% of Australia's workforce will need digital skills.

The Australian Chamber supports the efforts of the Government and the NBN Co to improve digital connectivity across Australia, particularly in regional Australia to this end.

²⁶ The New Daily 2019, Australia ranks last in affordable broadband, accessed 6 September 2019, <<https://thenewdaily.com.au/life/tech/2019/08/28/australia-ranks-last-in-affordable-broadband/>>.

²⁷ The New Daily 2019, Digital quality of life: Australia tops rankings despite 'third-world' broadband, accessed 6 September 2019, <<https://thenewdaily.com.au/life/tech/2019/08/14/digital-quality-life-australia/>>.

Recommendation 4:

Continue to improve digital infrastructure in the regions and facilitate digital connectivity for businesses and employees relying on the network for their businesses and jobs.

5.2 Air and Rail Connectivity

Relatively high regional airfares and lack of regional air connectivity are a significant barrier for businesses looking to set up in the regions as well as a barrier to tourism. A number of Federal and State Government inquiries²⁸ into the regulation of air route service delivery to rural, regional and remote communities have been undertaken but have not improved the reality for Australians who live in the regions or are considering visiting the regions. With slow or no population growth, it becomes less viable for airlines to service these routes. Improving and expanding regional airport infrastructure has wider benefits for the entire local economy. This is a negative cycle – higher cost of travel leads to less travellers leads to higher costs. This cycle needs to be broken by investing in air infrastructure and encouraging aviation competition.

An important aspect of improving access to regional Australia is to develop regional airports so they can attract airlines (international and domestic) and support the viability of these routes through efficient service provision. Often, the cost of such infrastructure is passed onto airlines (in the form of landing charges), which result in these destinations not being viable for the airlines to operate in. Prospective residents, visitors and businesses are drawn to a region if it is accessible, affordable and there is certainty that the route will remain operational. Supply is what creates demand for the region. Regional routes are often more expensive to operate due to high security costs and charges that are passed on to airlines and ultimately consumers in the form of higher airfares. This undermines the viability of the region. By minimising airport security costs and improving capacity to cater to more airlines, airports can facilitate greater connectivity and grow the local economy.

International Connectivity into the Regions: The World Economic Forum's 2017 Travel and Tourism Competitiveness Index ranked Australia 128th for airport taxes and charges. A key component of this is the Passenger Movement Charge (PMC) and unfortunately, at \$60 it is the most expensive short haul charge in the world and the second highest long haul charge. The PMC is added to the cost of every international air travel ticket and passed onto travellers. The PMC is treated as general revenue by the Government and raises significantly more than the cost it was introduced to cover. Given the substantial additional revenue raised by growth in tourist numbers, it seems logical to re-invest a portion of the revenue into building increased capability and infrastructure facilities, especially at regional airports. Smart technology (such as the use of smart gates for border processing trialled in certain airports) will likely make the provision of airport security services cheaper.

²⁸ Parliamentary Inquiry into Regional Airfares in WA 2017, Federal Senate Inquiry into the operation, regulation and funding of air route service delivery to rural, regional and remote communities 2017-19, Productivity Commission Inquiry into Economic Regulation of Airports 2018-19

An alternate to air connectivity for domestic regional travel could be affordable fast rail that provides reliable, accessible lines to the regions while also maintaining reasonable travel times. Strong coordination between state and territory governments is essential to coordinate and deliver investment in rail infrastructure and the viability of rail projects needs to be assessed on its merits.

Recommendation 5:

- Increase government support for regional airport redevelopment and regional airport infrastructure through grants and funds.
- Invest in airport security from existing government resources and leverage advanced technology to improve regional connectivity.

5.3 Vocational Education and Skills

Educational attainment of our regional population is critical to skills being available in the regional labour market and the lack of skilled workers is a key issue in many regions.

According to the ABS, in 2011, the regions with the lowest rates of attainment of tertiary²⁹ qualifications tended to be in rural and remote areas. Conversely, the regions with the highest rates of attainment of non-school qualifications were all in or near greater capital cities³⁰. While the low rates of tertiary qualifications in the regions (compared to the cities) is concerning, lack of educational opportunities in rural and regional areas means that many students from these areas are forced to move away from home to access tertiary education³¹.

However, outside the capital and larger cities, there were twice the number of vocational qualifications compared to degrees and diplomas, reflecting the importance of vocational education in the regions. Vocational Education and Training (VET) is a highly valuable system developing the skills needed for a modern economy. It is often associated with construction, electricians, printers, metal engineers, chefs, hairdressers and other sectors reliant on trade qualifications. However, in reality, VET permeates the whole of society, developing and enhancing skills in occupations ranging from pilots to musicians; office workers to travel and real estate agents; and safety inspectors to enrolled nurses to name but a few.

For many occupations, a VET qualification is a requirement either as part of a licensed occupation such as plumbers, or a regulatory requirement such as in childcare. Particularly in these industries, interruptions to the pipeline can create significant economic and job impacts, as well as disruption to services. Even for those occupations where the qualification is not a requirement, the skills

²⁹ Tertiary (or non-school education) refers to qualifications past year 12 and includes certificate level III and IV, diplomas and advanced diplomas, and university level qualifications.

³⁰ ABS 2013, Perspectives on Regional Australia: Non-school Qualifications in Regions, 2011, accessed 2 September 2019, <<https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1380.0.55.011Main%20Features12011?opendocument&tabname=Summary&prodno=1380.0.55.011&issue=2011&num=&view=>>>

³¹ VOCED n.d, Focus on Regional skilling, accessed 2 September 2019, <https://www.voced.edu.au/focus-regional-skilling>.

delivered by VET improve productivity, instil confidence and prepare people for work. Our VET system needs to be the best it can possibly be.

Employer and Student Satisfaction: At the delivery end, the news is generally positive: employer and student satisfaction is strong; over 4 million students were enrolled in 2017 with over 750,000 program completions. Over half of the subject enrolments receive no government funding which demonstrates that employers and students willingly reach out to the system on a fee for service basis.

VET Employment Outcomes: Over 85% of graduates and almost 89% of subject completers undertake their training for employment-related reasons, and the system delivers employment outcomes for graduates and subject completers³².

- 59% of graduates improved their employment status after training.
- 46% of subject completers improved their employment status after training.
- Of graduates employed after training, 71% received at least one job-related benefit which was a 3.5 percentage point increase compared to 2017.
- 80% of apprentices (including trainees) were in employment after training, and 91% of those did a trade apprenticeship.

The VET system has a lot to offer but there are issues that need to be addressed to make the system better.

VET Funding Issue: For those who take a birds eye view of VET, they see a system straining under policy inconsistency and declining funding. According to the National Centre for Vocational Education Research's (NCVER)³³ new VET funding data summary, in 2017, states, territories and the Commonwealth spent \$6.1 billion on VET:

- \$4.6 billion went directly to registered training organisations (RTOs) for VET delivery.
- \$614.5 million on assistance for employers, such as incentives for employing apprentices and trainees, grants, and other support services.
- \$71.9 million went towards directly supporting students in their studies, including support for equipment, travel and other costs, completion incentives, and wrap-around support services.
- \$219.8 million on capital investment, including new assets and infrastructure, or on upgrading existing infrastructure.
- \$610.8 million on administration of the overall VET system, including funding government departments and relevant authorities.

As this is a new data series, there is no direct comparator with previous years³⁴. However, the most recent analysis the Australian Chamber has undertaken on VET Funding using the previous data series³⁵ illustrates the decline in VET government funding (Commonwealth and states and territories) over time. This analysis excludes Commonwealth's student loan schemes (VET FEE HELP, trade support loans and VET Student Loans). Funding hit rock bottom in 2016, a reflection

³² NCVER (2018), VET Student Outcomes

³³ NCVER (2019), Government Funding of VET 2017, National Centre for Vocational Education Research

³⁴ NCVER (2018), VET funding

³⁵ NCVER (2018), VET Finance and Funding

of the decrease largely from states and territories and although there is a slight recovery in 2017, it is nowhere close to the highs of 2012-2013. The analysis also excludes employer incentives funding that is paid by the Commonwealth to apprenticeship employers, as these are not included in this previous NCVET funding series. From the Federal Budget papers, it is clear that employer incentive funding has substantially declined (by around two thirds), both as a result of major changes made to incentive payments in 2011-2012 and most recently by the reduction in apprenticeship numbers. If the employer incentives funding had been included in the analysis, the picture would look even worse.

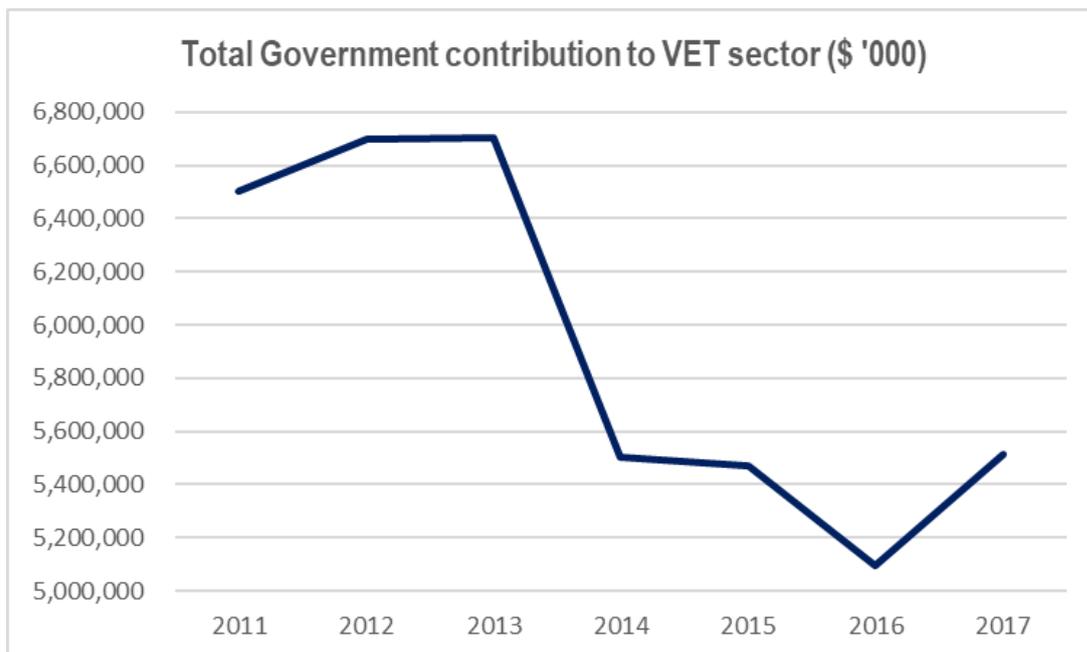


Figure 3: Total Commonwealth and State Government Contribution to the VET sector

A recent Workforce Training Innovation Fund project in South-West Victoria, applied insights from the research mentioned earlier in the Future of Work section to understand where there are gaps and opportunities in our training systems. The project compared the skills developed in particular courses delivered by South-West TAFE, a leading provider of VET in the region, with those demanded by employers for the occupations the course graduates would be qualified for. The courses analysed ranged from Certificate II through to Diploma level qualifications and spanned courses in Individual Support, Disability, Community Services and Nursing. It is important to note that the skills taught in these courses are determined by nationally set and standardised training packages. Analysis of the skills taught in the Certificate III in Individual Support and Certificate IV in Disability qualifications, compared with the skills demanded in job ads for Personal Care Workers and Aged and Disabled Carers revealed a need for additional management, leadership and digital literacy skills not currently addressed or delivered in the training packages.

This suggests that training packages development processes need to ensure that the skills outlined in the package reflect the changing demands of workplaces. There is a systemic tension in updating the packages between the pace of workplace change and how quickly that is reflected in packages, versus the costs incurred in changing them too frequently. This is where quality

providers are so important in ensuring their curriculum not only includes the skills outlined in the training package but also those skilled reflected in the needs of local businesses. The Federal Government, in consultation with industry and skills bodies, should consider opportunities to use real time, data driven insights to improve the training package system, identify and fill gaps in the skills being demanded and those being taught. This can be further reinforced by upskilling VET educators on how to unpack and understand the skills required for the future of work.

Micro-Credentials: Micro-credentials and VET skill sets offer a solution to promoting a culture of lifelong learning, by providing opportunities for workers to move in and out of formal training when needing to upskill or reskill. They are particularly useful in regional areas, where the costs of travelling to training courses to complete a full qualification may be a barrier to participation. Typically smaller than a formal qualification, micro-credentials offer a flexible mechanism to provide current workers with new skills and knowledge in a timely and cost-effective way. Micro-credentials facilitate lifelong learning in a changing workforce, supporting workers transitioning to new roles. The flexibility and responsiveness of micro-credentials to learning providers and industry mean they are increasingly being offered by Australian education institutions such as Deakin University and Royal Melbourne Institute of Technology (RMIT). Skillsets within VET are also becoming an important part of the system, and allow for shorter courses focusing on immediate skill needs to still be delivered as part of the accredited system, rather than as unaccredited training. Both have a role, but the advantage of skillsets and micro credentials is that the learner can more readily build the skills into a qualification over time.

The Joyce Review report contained a number of recommendations of which the Federal Government has already adopted in the 2019-20 Federal Budget to address some of the issues highlighted here. The National Careers Institute, the National Careers Ambassador and the National Skills Commission are steps in the right direction to bring back confidence in the system, increase the profile of VET, bringing together careers advice and a whole of economy workforce planning.

Recommendation 6:

- Australia needs a robust vocational education and training (VET) system capable of delivering quality outcomes that meet the skills needs of industry and boost workforce participation and social inclusion.
- A strong system of both public and private providers, underpinned by a well-resourced national regulator operating in a client focussed competitive environment is needed to ensure that learners and employers are able to exercise choice in accessing the training they need where and when they need it.
- Encourage the development of skills sets and micro-credentials.

5.4 Regional Migration

The lack of labour and skills to fill existing local jobs in the regions is an increasing reality for many businesses. With the exodus of working age Australians to urban areas for study or work, businesses in the regions are in need of skilled labour but are unable to attract locals or Australians to move from other regions to the jobs. Businesses look to Australia's migration program to fill their skills and labour gap. However, attracting migrants to regional Australia is not easy. The most popular first point of arrival for overseas migrants is Sydney and then Melbourne. Overseas-born people are more likely to live in capital cities (83%) compared to 61% of the Australian-born population³⁶. Migrants tend to gravitate towards the cities due to the job opportunities, well-established transportation and service infrastructure and existing diaspora communities.

The Regional Australia Institute has put together a number of examples where locally led migration strategies have met rural labour needs, helping businesses further grow and create jobs across a range of industries³⁷. There are migration strategies that can help grow regional population and support regional businesses who need access to skills and labour.

Access to Occupations: The 2017 changes to Australia's skilled migration system has made it increasingly difficult for regional businesses to look to migrants to fill critical skill shortages. The various occupation lists³⁸ that classify skills shortages and multiple visa classes³⁹ make it hard for small businesses in the regions to effectively navigate the migration system and access the skills they need. Accurately identifying labour market needs across the country is a vital exercise that needs to be undertaken in the broader context of developing skills in the economy. However, the need for skills shortage assessment for employer sponsored skilled migration is not keeping in line with the reality of business' labour and skills needs. The shortages experienced by an individual business in a particular location at a particular point in time cannot be identified by a national assessment or data set on skills shortages, since it requires a rich and diverse data set, one that needs to constantly adapt to capture market conditions. According to the OECD, skill shortages and recruitment difficulties exist at the national level and within states and territories. Within states and territories, there can be shortages between metropolitan areas and regional areas⁴⁰. There are specialisations in occupations that an analysis of an occupation cannot possibly be able to accurately identify. This makes a profound difference to an assessment that the skills being sought are in shortage.

In other occupations and industries, new technology being introduced can often mean that specialists are needed to operate the machines and train others. A macro level nationwide data analysis cannot possibly identify these nuances. This is true even for regional skills needs where regional data sets are sparse and often inadequate to aid in constructing an accurate picture of various regional skills needs. For example, motor mechanics might not be in national

³⁶ Australian Government 2019, Planning for Australia's Future Population, accessed 30 August 2019, <<https://www.pmc.gov.au/sites/default/files/publications/planning-for-australias-future-population.pdf>>

³⁷ Regional Australia Institute 2017, *The Missing Workers*, accessed 30 August 2019, <<http://www.regionalaustralia.org.au/home/missing-workers-migration-policy/>>

³⁸ Short Term Skilled Occupation List – STSOL, Medium and Long-term Strategic Skills List - MLTSSL or the Regional Occupation List - ROL

³⁹ Temporary Skills Shortage - TSS short-term, TSS medium-term, labour agreement, the two new regional visas - Skilled Employer Sponsored Regional (Provisional) and Skilled Work Regional (Provisional) visa.

⁴⁰ OECD 2018, Recruiting Immigrant Workers: Australia, accessed 30 August 2019, <https://read.oecd-ilibrary.org/social-issues-migration-health/recruiting-immigrant-workers-australia-2018_9789264288287-en#page40>

shortage, but a business in Kalgoorlie might face a vacancy they are unable to fill due to lack of local mechanics in Kalgoorlie or the unwillingness of other Australian mechanics to move to Kalgoorlie to take up the job. In this instance, the business is left with no option but to negotiate a labour agreement, which is a long protracted and complicated process, especially for a small business.

Labour Agreements have been suggested as a work around for those occupations not covered under the STSOL and MLTSSL to fill niche occupations or positions in regional areas that very few Australians are qualified in or are available for. However, it should not be expected that small businesses in the regions intending to employ just one or two skilled migrants have the resources, time and the administrative bandwidth to liaise with the Department of Home Affairs to negotiate a labour agreement, along with the primary task of running their business.

Lack of a pathway to permanency: Pathway to permanency was a fundamental strength of Australia's skilled migration system. This allows the migrant to put down roots in the regional community, making them less likely to then migrate to the cities. The employer nominated category of visas are the most effective for regional migration as the employment outcomes are the highest of all categories and the migrant arriving in Australia already has a job and network of local contacts from his place of employment to guide them in the community. However, with the 2017 changes to the skilled migration program, this pathway to permanency has been removed for a number of occupations eligible for the Temporary Skills Shortage (TSS) visa, including those in industries that are important to the regions such as Accommodation and food services. Although there is a separate list (Regional Occupations List – ROL) that allows employers from regional Australia to access additional occupations, the removal of a pathway for important occupations has severely affected the flow of migrants to the regions.

To alleviate both these issues, the Australian Chamber recommends that all skilled occupations be available for temporary as well as permanent migration in the regions, thus positively skewing overseas migration trends towards regional Australia without disadvantaging urban employers who also access the migration program. Retaining the consolidated sponsored occupations list (CSOL), which was by-and-large a list of all skilled occupations on the ANZSCO, as the basis for employer nominated temporary and permanent migration, and to deal with integrity issues on an occupation basis through caveats rather than by national skills analysis is a much more responsive approach to meet regional skill needs. This would be in line with the recommendations of the 2014 457 Visa Integrity Review Panel's recommendations. The panel recommended specifically that all skilled occupations remain accessible to temporary skilled migration⁴¹. It also reflects the reality that for Regional Sponsored Skilled Migration (RSMS), all skilled occupations remain available.

New Measures: The Federal Government has introduced a number of positive measures to increase regional migration such as the two skilled regional visas (Skilled Work Regional Provisional visa and the Skilled Employer Sponsored Regional Provisional visa), which come into effect in November 2019 and have a pathway to permanency. To be eligible for permanent residence, holders of the skilled regional provisional visas will need to demonstrate they have lived and worked in regional Australia.

⁴¹ Azarias, J et al 2014, Robust New Foundations: A Streamlined, Transparent and Responsive System for the 457 Programme, Commonwealth of Australia.

The Government has also expanded Designated Area Migration Agreements (DAMAs) with seven DAMAs now in place - Northern Territory, the Goldfields, WA, Great South Coast, VIC, Adelaide City and Regional SA, Orana, NSW and Far North Queensland. These regional agreements that cater to the specific needs of the regions are welcome. Since the newly negotiated DAMAs are yet to be operational, it remains to be seen how effective the DAMAs will be in alleviating the skills needs of the regions. However, early feedback suggests that small and regional businesses find that DAMAs are not a silver bullet and the cost to employers is prohibitive and the process of the nomination lengthy. The DAMA itself does not make the migration process simpler for the sponsoring business.

Creating more favourable settings for regional migration will assist in regional employers being able to access the skills they need. However, there should be no illusion that this alone will create major population shifts to the regions, as we may be able to limit the movement of migrants from the regions but not Australians. There needs to be broad understanding that population will move to where there are jobs. Therefore, tying migrants to the regions without creating the environment for economic growth and jobs will not spur growth in the regions. An Australian Research Council funded Discovery Project 'The Demographic Consequences of Migration to, from and within Australia' by ANU School of Demography⁴², finds that Australia's migration policy aimed at attracting skilled migrants to regional areas is failing. The findings show that in some regions more than 60% of newly settled migrants from specific countries have moved on within five years. The research highlights the need to improve the social, economic and educational opportunities in regional areas to retain populations – both migrant and Australian.

Recommendation 7:

- Allow regional employers access to all skilled occupations under the temporary migration program.
- Create pathways to permanency for regional migration to encourage migrants to build roots in the community.
- Improve social, economic and educational opportunities in the regions to retain population.

⁴² ANU Media 2019, Migrants leaving regional Australia at record levels, accessed 6 September 2019, <<https://cass.anu.edu.au/news/migrants-leaving-regional-australia-record-levels>>.

6 About the Australian Chamber

The Australian Chamber of Commerce and Industry is the largest and most representative business advocacy network in Australia. We speak on behalf of Australian business at home and abroad.

Our membership comprises all state and territory chambers of commerce and dozens of national industry associations. Individual businesses are also able to be members of our Business Leaders Council.

We represent more than 300,000 businesses of all sizes, across all industries and all parts of the country, employing over 4 million Australian workers.

The Australian Chamber strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

We represent the broad interests of the private sector rather than individual clients or a narrow sectional interest.

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