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**THE REGIONAL AUSTRALIA INSTITUTE**

**EMPLOYMENT WHITE  
PAPER SUBMISSION**



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KNOWLEDGE POLICY PRACTICE

## ABOUT THE REGIONAL AUSTRALIA INSTITUTE

The Regional Australia Institute (RAI) is the only think tank dedicated to pursuing research, data, policy and activation to build robust regional economies and a better quality of life for the benefit of regional Australia.

The RAI exists so that decision-makers at all levels of government, industry and community have the information they need to ensure the best outcomes for regional Australia.

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This submission draws on RAI research and findings from its work across Australia. It's intended to assist the Employment White Paper to have an overview of some of the issues in relation to some of the challenges facing regional Australia. No responsibility is accepted by RAI Limited, its Board or its funders for the accuracy of the advice provided or for the quality of advice or decisions made by others based on the information presented in this publication.

## REFERENCE

This submission can be referenced as: Employment White Paper

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# OUR MEMBERS

The RAI has an extensive network of businesses and organisations through its membership programs – The Regional Australia Council and the Regional Activators Alliance. These vast membership networks provide the RAI with a unique understanding of the employment issues impacting the jobs and skills market throughout regional Australia. The following organisation make up the membership organisations associated with RAI through both the Regional Australia Council and the Regional Activators Alliance.



In September 2022, the RAI launched the [Regionalisation Ambition 2032](#), a report which outlines a Framework to Rebalance the Nation, by seeking more ambitious and balanced growth across our nation's regions.

To achieve the ambition, the Framework outlines cross-cutting themes, and five pillars that are each interlinked and equally important. Across each pillar RAI have outlined key targets, actions and benefits that will each contribute to building stronger and larger regional communities, and a stronger Australia.

By setting the ambition to [Rebalance the Nation](#) and see more Australians calling regional Australia home, RAI is seeking to lead a shift in mindset in how we plan for and rethink the nation's future settlement.

The Ambition sets out 20 targets across five pillars to assist in the rebalancing of the nation. The five pillars to rebalance the nation are:

- Jobs and Skills,
- Liveability,
- Population,
- Productivity and Innovation, and
- Sustainability and Resilience.

For the purposes of the Employment White Paper, RAI's submission will focus on Jobs and Skills pillar.

## LIST OF POLICY CONSIDERATIONS

### **POLICY CONSIDERATION 1: Establish a national population plan that:**

- Considers higher-growth scenarios and the implications for planning.
- Considers projected growth at a regionally disaggregated level.
- Considers industry growth and structural changes.
- Addresses associated liveability (infrastructure and services) needs.

### **POLICY CONSIDERATION 2: Develop targeted workforce strategies and associated attraction and settlement support programs to encourage new workers, their families, and new skills into the regions.**

### **POLICY CONSIDERATION 3: Facilitate increased participation and engagement in the workforce by:**

- Fostering and educating employers on how to embed flexible and remote working arrangements, such as flexible working hours, remote work, and part-time roles.
- Encouraging participation with targeted programs and support, such as culturally safe workplaces, indigenous-led economic development and enterprise support, or increased access to childcare.
- Facilitating short-course training and support programs and incentivising on-the-job training.

### **POLICY CONSIDERATION 4: Harness Australia's migration program and double regional migration settlement from 20% to 40%:**

- Address the lack of supply in the labour market, with demand-driven migration for regional areas and supporting locally-led migration attraction and settlement support.
- Address longer-term workforce needs, by considering the current and future place-based needs of regional Australian communities, and the role of Australia's migration program to address these.

**POLICY CONSIDERATION 5: Foster and invest in the growth of regional learning systems across regional Australia considering:**

- Building ‘locally grown’ talent for key workforce needs and supporting pursuit of local training and practice.
- The role that industry can play in proactively working with local communities to identify potential future skills gaps and work collaboratively towards implementing solutions.
- Investing in forums, programs and channels that encourage sustained relationships with residents who have left their regional area, to foster continued connection and encourage ‘regional returners’. This is particularly important for younger people living in regional Australia to foster connections to their local community whilst they are living there, and enabling sustained connections whilst they are pursuing post-school opportunities.

**POLICY CONSIDERATION 6: Facilitate post-school programs and support to enable young regional, rural and remote Australians to pursue further qualifications by:**

- Investing in localised tertiary education models that allow residents to study further qualifications in place, such as education centres and ensuring reliable, good quality digital access.
- Ensuring young people can access the financial support they need to pursue further studies in their desired field.
- Build connections and support student transition from school to post-school opportunities such as through funding of Gap Year Co-ordinators in regional centres.

**POLICY CONSIDERATION 7: Promoting regional Australia as a great place to live, work, visit and invest in through a national awareness campaign, such as the RAI’s Move to More Platform.**

**POLICY CONSIDERATION 8: Recognise and invest in liveability for building long-term, prosperous regional communities, and facilitate regional communities to explore and understand their regional, place-based assessment of liveability.**

**POLICY CONSIDERATION 9: Invest in and improve key services, amenity and lifestyle enablers nationally to ready regional Australia for greater regionalisation, incentivising innovative place-based actions and solutions to improve regional liveability.**

**POLICY CONSIDERATION 10: Explore and improve the measurement and data of all aspects of liveability, productivity and innovation, and sustainability and resilience at a regionally-disaggregated level.**

**POLICY CONSIDERATION 11: One third of all new housing to be in regional Australia.**

**POLICY CONSIDERATION 12: Local governments should consider accessing funds from NHFIC’s National Housing Infrastructure Facility to assist bringing shovel-ready residential land to market.**

**POLICY CONSIDERATION 13: Issues around commercial feasibility, infrastructure provision, and planning controls (at local and state levels) that may be hindering the supply of shovel-ready residential land.**

**POLICY CONSIDERATION 14:** Mechanisms to encourage builders and developers to provide timely supply of a diverse mix of new housing stock.

**POLICY CONSIDERATION 15:** Regulations (at each level of government) that may be limiting the ability for temporary or relocatable housing to be part of the local housing mix.

**POLICY CONSIDERATION 16:** Regional groupings of councils to determine the scale of local undersupply and look to translating this into local investment opportunities through aggregated demand.

**POLICY CONSIDERATION 17:** The role of incentives for tradespeople to practice their trade in regional and remote settings.

**POLICY CONSIDERATION 18:** Building on the expansion of trade training places to increase trade training in smaller communities across regional Australia.

**POLICY CONSIDERATION 19:** Using record levels of public capital works spending to stimulate expansion of regional trades training.

**POLICY CONSIDERATION 20:** One third of new migrants coming into Australia be located in regional Australia.

**POLICY CONSIDERATION 21:** Reduce the recruitment difficulty in regional Australia to below 40%.

**POLICY CONSIDERATION 22:** Increase the share of skilled workers employed in regional Australia to 80% of the regional workforce.

**POLICY CONSIDERATION 23:** *Increase the school attainment rate of young people in regional Australia to 75% or above.*

**POLICY CONSIDERATION 24:** *Boost post-school qualification completion in regional Australia to 65% or above.*

# TABLE OF CONTENTS

1.	.....	Introduction
2.	.....	Summary
3.	.....	Regional Job Vacancies
4.	.....	Regional Movers Index
5.	.....	Housing
6.	.....	Rebalancing the Nation
7.	.....	Conclusion

## 1. INTRODUCTION

The Regional Australia Institute (RAI) appreciates the opportunity to make this submission to the Employment White Paper.

Since 2011, the RAI has been researching topics relevant to the prosperity and success of regional Australia, which is defined by the RAI as all areas of Australia outside the capital cities. Regional Australia is home to over 9 million people and contributes one-third of total national economic output. Its prosperity is critical to the future of the nation.

Some of the key areas of research, data collection and analysis by the RAI has been in employment, jobs vacancies and housing. The detailed work undertaken in these areas makes the RAI well placed to present a well-reasoned submission to the Employment White Paper.

## 2. SUMMARY

To understand the employment trends in regional Australia, firstly you must understand the jobs market and the movement of people around Australia.

The RAI facilitates a series of data-led toolkits, namely the "[Regional Movers Index](#)" and the "Regional Job Vacancies" map. These tools enable the RAI to track on monitor the resettlement of people from one location to another and the advertised job vacancies across regional Australia. This data is paramount in understanding the employment trends in regional Australia.

Most recent [data show regional job vacancies](#) have continued to climb, reaching a new record of almost 93,000<sup>2</sup> advertised jobs in September 2022

The usual perception of regional jobs being mainly in the labour-intensive sectors of the economy is incorrect.

There is a plentiful supply of jobs available in regional Australia, the ongoing challenge is to find the people with the right skills to fill these positions. Often it is difficult to find enough people locally to take up these positions. This means new strategies are required in addition to the strategies that have positive impacts when there are less jobs.

RAI's data analysis shows there are tens of thousands of jobs vacant in regional Australia and we have seen an influx of people who have or are considering a move away from metropolitan cities to the regions according to our Regional Movers Index.

The shortage in regional housing is constraining local economic growth and development, preventing regions from meeting their full potential and contributing to the post-COVID recovery. There are jobs going unfilled simply due to a lack of suitable housing. Local private enterprise is constrained in realising nascent opportunities and creating new jobs because of local shortfalls in the amount and mix of housing.



### 3. REGIONAL JOB VACANCIES

The relevance of the regional job vacancy numbers is crucial in understanding the potential economic uplift possibilities within regional Australia. There is an enormous potential for growth in productivity by the thousands of businesses in regional Australia who can grow their business through greater business activity and direct investment - if they are able to access the staff they require to allow their enterprise to not only meet current demand, but to grow and meet the future needs of their growing local communities.

The Australian economy as a whole is forecasted to be better off if the nation sees more balanced population growth. Modelling undertaken for the RAI's Regionalisation Ambition 2032, by the National Institute of Economic and Industry Research shows that Australia's Gross Domestic Product (GDP) in 2032 would be \$13.8 billion larger under a scenario of a larger regional population than a 'business as usual' (BAU) population scenario.

More balanced growth benefits both regional and metropolitan people. The modelling showed that under the scenario of a larger regional population in 2032, Gross Regional Product per capita in metropolitan areas is estimated to be \$1,800 higher than a BAU population scenario. For regional cities it's estimated to be \$400 higher. The increases in output and productivity come from economic gains that are available in Australian regional cities compared with the state capitals.<sup>1</sup>

Most recent data show regional job vacancies have continued to climb, reaching a new record of almost 93,000<sup>2</sup> advertised jobs in September 2022. This latest number of vacancies is 1.9 per cent more than in August, and 30.2 per cent higher than a year earlier. Regional job vacancies continue to grow while in the last month metropolitan vacancies declined. Meanwhile over the year, regional vacancy growth has outpaced metro vacancy growth (at 30.2 per cent, compared to 28.6 per cent).

The latest advertised vacancies are well in excess of what was being advertised a year earlier in all regions but one. The annual growth in vacancies in the various regions are in the double digits, ranging from around 10 per cent to 70 per cent. Only one region recorded fewer vacancies in September 2022 than September 2021 - Dubbo and Western NSW (down by 15.3 per cent). The five regions that recorded the largest monthly increases in vacancies in September 2022 are:

- **Yorke Peninsula & Clare Valley in SA** with 7.1 % more vacancies in September 2022 (336) than in August 2022 (314)
- **Gosford & Central Coast in NSW** up by 5.3% (2,388 compared to 2,268)
- **Tamworth and North West NSW** up by 5.2% (1,532 compared to 1,456)
- **Toowoomba and South West QLD** up by 4.4% (2,756 compared to 2,639)
- **Fleurieu Peninsula & Murray Mallee in SA** up by 4.2% (1,143 compared to 1,097)

The five regions with the largest annual increases in vacancies between September 2021 and September 2022 are:

- **Gosford & Central Coast in NSW** up by 66.9%
- **Geelong & Surf Coast in VIC** up by 49.6%
- **Newcastle & Hunter in NSW** up by 42.8%

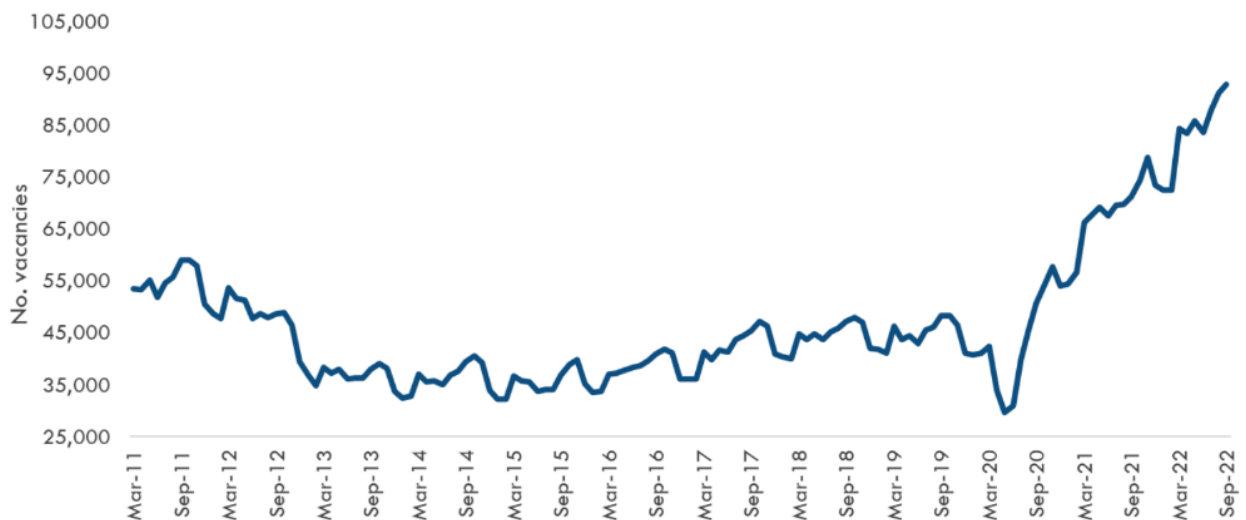
<sup>1</sup> Population scenario modelling prepared for the RAI by National Economics

<sup>2</sup> National Skills Commission, Regional Australia Institute – Regional Job Vacancies September 2022

- **Gold Coast in QLD up by 40.3%**
- **Blue Mountains, Bathurst & Central West NSW up by 40.2%**

### Regional Australia job vacancies

Source: National Skills Commission, Regional Australia Institute



The usual perception of regional jobs being mainly in the labour-intensive sectors of the economy is incorrect. In terms of the occupations being demanded, the most vacancies are for Professional roles (25% of all vacancies in August), followed by Technicians and Trades roles (15%), Community and Personal Service roles (13%), and Clerical and Administrative roles (13%).

Table 1 shows the breakup of job vacancies across the regional areas of each of the states and territories.

Table 1 Job vacancies

<b>Number of advertised job vacancies</b>	<b>Sep-21</b>	<b>Aug-22</b>	<b>Sep-22</b>	<b>% change (monthly)</b>	<b>% change (annual)</b>
<b>Regional Australia</b>	<b>71,350</b>	<b>91,184</b>	<b>92,898</b>	<b>1.9%</b>	<b>30.2%</b>
Regional NSW	20,292	26,025	26,885	3.3%	32.5%
Regional VIC	10,064	13,805	13,949	1.0%	38.6%
Regional QLD	20,604	26,987	27,543	2.1%	33.7%
Regional SA	1,722	2,140	2,197	2.6%	27.6%
TAS	3,162	4,057	4,116	1.4%	30.2%
Regional WA	5,908	6,921	6,833	-1.3%	15.7%
NT	2,803	3,126	3,134	0.3%	11.8%
ACT	6,796	8,123	8,241	1.5%	21.3%
<b>Mainland State Capital Cities</b>	<b>162,456</b>	<b>210,584</b>	<b>208,852</b>	<b>-0.8%</b>	<b>28.6%</b>

There is a plentiful supply of jobs available in regional Australia, the ongoing challenge is to find the people with the right skills to fill these positions. Often it is difficult to find enough people locally to take up these positions. This means new strategies are required in addition to the strategies that have positive impacts when there are less jobs. The resettlement of people from elsewhere is a

desired solution to filling job vacancies, which triggers interrelated challenges for example housing availability.

1. **POLICY CONSIDERATION** – *Establish a national population plan that:*
  - Considers higher-growth scenarios and the implications for planning.
  - Considers projected growth at a regionally disaggregated level.
  - Considers industry growth and structural changes.
  - Addresses associated liveability (infrastructure and services) needs.
  
2. **POLICY CONSIDERATION** – *Develop targeted workforce strategies and associated attraction and settlement support programs to encourage new workers, their families, and new skills into the regions.*
  
3. **POLICY CONSIDERATION** - *Facilitate increased participation and engagement in the workforce by:*
  - Fostering and educating employers on how to embed flexible and remote working arrangements, such as flexible working hours, remote work, and part-time roles.
  - Encouraging participation with targeted programs and support, such as culturally safe workplaces, indigenous-led economic development and enterprise support, or increased access to childcare.
  - Facilitating short-course training and support programs and incentivising on-the-job training.
  
4. **POLICY CONSIDERATION** - *Harness Australia’s migration program to and double regional migration settlement from 20% to 40%:*
  - : Address the lack of supply in the labour market, with demand-driven migration for regional areas and supporting locally-led migration attraction and settlement support.
  - Address longer-term workforce needs, by considering the current and future place-based needs of regional Australian communities, and the role of Australia’s migration program to address these.
  
5. **POLICY CONSIDERATION** - *Foster and invest in the growth of regional learning systems across regional Australia considering:*
  - Building ‘locally grown’ talent for key workforce needs and supporting pursuit of local training and practice.
  - The role that industry can play in proactively working with local communities to identify potential future skills gaps and work collaboratively towards implementing solutions.
  - Investing in forums, programs and channels that encourage sustained relationships with residents who have left their regional area, to foster continued connection and encourage ‘regional returners’. This is particularly important for younger people living in regional Australia to foster connections to their local community whilst they are living there, and enabling sustained connections whilst they are pursuing post-school opportunities.
  
6. **POLICY CONSIDERATION** - *Facilitate post-school programs and support to enable young regional, rural and remote Australians to pursue further qualifications by:*

- Investing in localised tertiary education models that allow residents to study further qualifications in place, such as education centres and ensuring reliable, good quality digital access.
  - Ensuring young people can access the financial support they need to pursue further studies in their desired field.
  - Build connections and support student transition from school to post-school opportunities such as through funding of Gap Year Co-ordinators in regional centres.
7. **POLICY CONSIDERATION** - *Promoting regional Australia as a great place to live, work, visit and invest in through a national awareness campaign, such as the RAI's [Move to More Platform](#).*

## 4. REGIONAL MOVERS INDEX

The relevance of the Regional Movers Index is crucial in understanding the domestic migration of people moving around Australia to work or for lifestyle and liveability choices. The movement trends will assist policy makers in being able to understand the shifts and make the relevant investment in services and infrastructure to cater for particular growth areas and regions.

The Regional Movers Index presents fresh analysis of movements between Australia's regions and capital cities. The Index updates the trend identified in the RAI's 2019 Big Movers report – that in recent decades more people have been moving from Australia's capital cities to regions than in the opposite direction.

Population growth hotspots can now be identified faster than ever in Australia, with the Regional Movers Index, developed by the Regional Australia Institute (RAI) in partnership with the Commonwealth Bank of Australia (CBA) using its 10 million customer base as a reliable data source. Capital to region migration is still well above pre-COVID levels, even as public health measures ease.

These quarterly migration flows in the past 12 months have averaged a level that is 15 percent higher than during the two years prior to the pandemic.

Rising interest rates, associated economic uncertainty and more wild weather did not dampen enthusiasm for a regional move in the September quarter. Migration flows from capitals to regions during the quarter recorded a slight uptick (up by 2.4 percent). The latest level of migration is 7.2 percent lower than a year earlier, when a near-record number of capital city people, predominantly from Sydney and Melbourne, moved to regional areas during pandemic lockdowns.

During the September 2022 quarter, capital to region migration represented a smaller share of all Australian relocations compared with a year earlier, reflecting those reduced flows and the increased flows in the other direction (region to capital migration).

On average, quarterly capital to region migration flows have accounted for 6 percent of all relocations throughout the past 12 months. This share is on-par with the share during the time of lockdowns and is higher than the share that prevailed prior to the pandemic (up by 0.7 of a percentage point). Nevertheless, as 2022 has progressed this share has been declining. It fell from a 6.4 percent share in the March 2022 quarter to a 5.6 percent share in the latest September 2022 quarter.

Meanwhile migration flows in the other direction picked up noticeably once the severe capital city lockdowns were lifted. Regional people moving into capitals accounted for 4.4 percent of all relocations during the September 2022 quarter. While this is a slightly smaller share than in the previous quarter it is higher than the 4.0 percent share that prevailed during the height of lockdowns.

Accordingly, overall net migration has pulled back from the record levels of 2020 and 2021. Net migration to regions during the 12 months to September 2022 has averaged a level that is 23.9 percent less than in the lockdown period of the pandemic, but nearly 70 percent higher than the levels in the two years pre-pandemic.

RAI's data analysis shows there are tens of thousands of jobs vacant in regional Australia and we have seen an influx of people who have or are considering a move away from metropolitan cities to the regions.

Read our *Regional Movers Index – September 2022 Quarterly Report* [here](#)

8. **POLICY CONSIDERATION** - *Recognise and invest in liveability for building long-term, prosperous regional communities, and facilitate regional communities to explore and understand their regional, place-based assessment of liveability.*
9. **POLICY CONSIDERATION** - *Invest in and improve key services, amenity and lifestyle enablers nationally to ready regional Australia for greater regionalisation, incentivising innovative place-based actions and solutions to improve regional liveability.*
10. **POLICY CONSIDERATION** - *Explore and improve the measurement and data of all aspects of liveability, productivity and innovation, and sustainability and resilience at a regionally-disaggregated level.*

## 5. HOUSING

Regional Australia is seeing a surge of popularity. City-dwellers are moving to the regions and regional people are choosing to stay. Regional Australia offers the good life where community is strong, jobs are plentiful and housing – while currently under pressure – is still much more affordable and accessible than in the major capitals.

The submission aims to lead and inform discussion among policy makers, industry participants and regional stakeholders to bring about action to restore balance in regional housing and boost supply.

The RAI acknowledges the Government's investment commitment in the 2022 Budget through the National Housing Accord, and believe this needs to be accelerated if it is going to address the long-term housing needs in regional Australia.

### 11. **POLICY CONSIDERATION** – **One third of all new housing to be in regional Australia.**

Current pressures in housing markets are almost universal across regional Australia – in both rental markets and purchase markets. While these pressures are partly driven by cyclical and macroeconomic factors (largely stemming from the COVID-19 pandemic), they are underscored by a shortage of regional housing. That is, over the long term, regional home building has not kept pace

with population growth. Regional Australia's population grew by an average of 76,500 people per annum in the decade to 2020.

The number of homes approved for construction declined in five out of those 10 years. Supply has generally been meaningfully boosted only when federal governments have offered major housing stimulus. In that respect, the stimulus in recent years such as HomeBuilder and the Regional Home Guarantee - has been especially important for regional areas.

The shortage in regional housing is constraining local economic growth and development, preventing regions from meeting their full potential and contributing to the post-COVID recovery. There are jobs going unfilled simply due to a lack of suitable housing. Local private enterprise is constrained in realising nascent opportunities and creating new jobs because of local shortfalls in the amount and mix of housing.

Regions, as always, are responding with local initiatives. But all levels of government need to address structural barriers, and industry has a role to play too. These structural barriers to home building in the regions are the key drivers of the long-term shortfall in housing.

### **Unlocking supply**

Local infrastructure costs are often a barrier to land release. Bringing shovel-ready land to market in a timely way to meet the additional demand would help alleviate such growing pains. Smaller local governments (in areas where private development isn't occurring) often lack the financial capacity to invest in local housing infrastructure.

### **Decades-long undersupply**

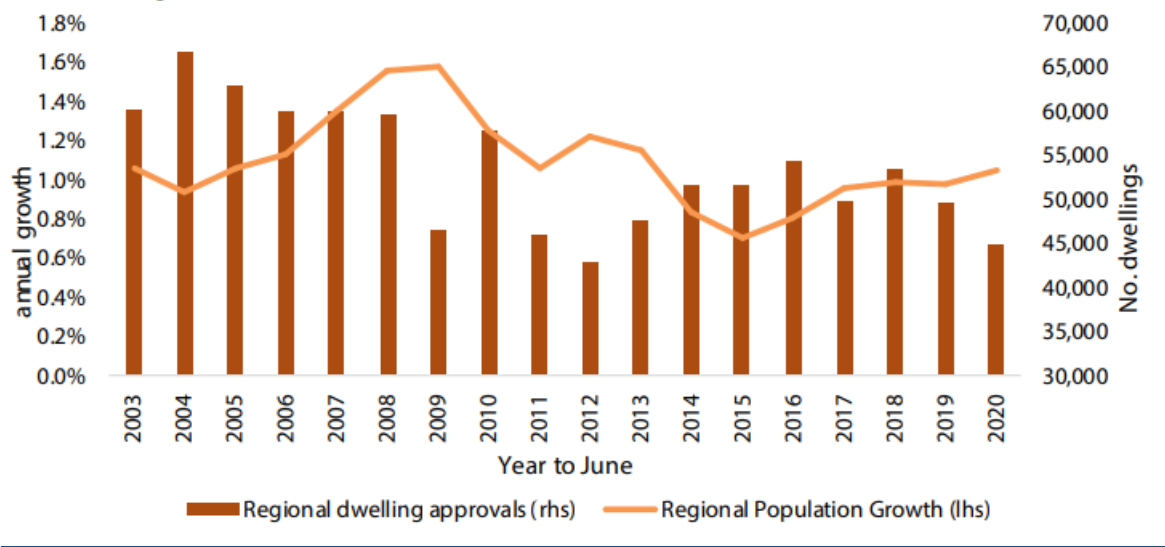
New home building in regional Australia has not kept pace with population growth over the long term. As a result, a regional housing shortage has been accumulating over several years.

In the most recent decade, regional Australia's population grew by an average of 76,500 people per annum. Yet the number of homes approved for construction declined in five out of those ten years. The absolute level of approvals during this decade has been low – about 50,000 dwellings per year, a level that is materially lower than in previous decade, when the annual average was closer to 60,000 dwellings.

Looking at that previous decade, the decade to 2011-12, regional Australia's population grew by an average of around 85,000 people per annum, while the number of dwellings approved for construction declined in eight of those ten years.

## Australian regional population growth and annual dwelling approvals

Source: ABS, Regional Australia Institute



There are also policy settings that should be widely considered by state and local policy makers, irrespective of the market type in question. One widespread issue affecting the timely provision of shovel-ready land for residential housing. In some growth markets, particularly those where the Commonwealth has made big project infrastructure investments which have boosted local economic growth and development, these investments have also had the side effect of contributing to local ‘growing pains’, particularly in respect to housing.

Local infrastructure costs are often a barrier to land release. Bringing shovel-ready land to market in a timely way to meet the additional demand would help alleviate such growing pains. Smaller local governments (in areas where private development isn’t occurring) often lack the financial capacity to invest in local housing infrastructure.

- POLICY SOLUTION - Local governments should consider accessing funds from NHFIC’s National Housing Infrastructure Facility to assist bringing shovel-ready residential land to market.**

### Traditional housing supply challenges

In areas of high population growth, the housing market pressures are quite traditional – high demand has run up against constrained supply that is not adequately responsive to this demand. In these areas, supply may not be responsive to demand because of natural geographical restrictions, state government constraints, inadequate planning and zoning, or slow and onerous approvals processes. But even where the supply of suitable land is adequate, the market rarely capitalizes to provide the right mix of housing in regional places, and these dynamics are as important as land supply itself.

Supply challenges are contributing to housing market pressures in these regions. The regions highlighted Regional Movers Index as having the highest growth in migration from capital cities, along with those regions receiving the largest shares of population inflows, will be experiencing major stresses on their local housing markets. For example, those high-growth Victorian LGAs within two to four hours driving distance of Melbourne, all experienced price growth in the vicinity of 15 - 30 per cent in the year to June 2021.

13. **POLICY CONSIDERATION** - *Issues around commercial feasibility, infrastructure provision, and planning controls (at local and state levels) that may be hindering the supply of shovel-ready residential land.*
14. **POLICY CONSIDERATION** - *Mechanisms to encourage builders and developers to provide timely supply of a diverse mix of new housing stock.*
15. **POLICY CONSIDERATION** - *Regulations (at each level of government) that may be limiting the ability for temporary or relocatable housing to be part of the local housing mix.*
16. **POLICY CONSIDERATION** - *Regional groupings of councils to determine the scale of local undersupply and look to translating this into local investment opportunities through aggregated demand.*

### Structural barriers to finance

RAI's recent research into housing in Western Queensland illustrates the actual mechanics of constrained access to finance. A typical loan – covering 90 per cent of the cost of the project – would be worth \$396,000. The household would have to finance the remaining \$44,000 with its own funds. The first barrier is a low valuation. If the project was valued at Winton's median house price (\$109,000 in the year to June 2020), rather than the build cost, then a typical loan (covering 90 per cent) on this value would only finance \$98,100 of the project, leaving the remaining \$341,900 to be financed from the household's own funds.

The next barrier is lenders' practices of lowering their exposure to more remote areas by applying lower Loan to Valuation Ratios (LVRs). This practice stems from financial market regulation that requires banks to hold greater amounts of capital against their assets. The level of capital required depends on the riskiness of the assets held – the greater the risk, the greater the capital lenders are required to hold. Lending to borrowers in more risky markets is now more costly for banks than a decade ago because of the additional capital they must hold. Accordingly, banks tend to limit their exposure to regional and remote markets by restricting the LVRs of mortgages in those areas.

**POLICY CONSIDERATION** - **Address severely constrained access to finance for households seeking to build new housing or do substantial renovations in small, low-value markets – consider expanding existing programs that address similar issues of access to finance such as the First Home Loan Deposit Scheme, the New Home Guarantee, the Family Home Guarantee programs, the Housing Australia Future Fund and the Regional First Home Buyer Support.**

### Trade labour shortages

Skilled trade labour in the residential construction sector has generally been in tight supply. With the pandemic causing a virtual halt in skilled migration, this tight supply has developed into a shortage, particularly at a time when a large volume of home building is in the pipeline.

While the RAI is mindful of the current national biosecurity aspects of allowing skilled workers into Australia, worker shortages in regions are becoming critical and migrant worker flows need to be re-established for the recovery to continue.

The announcement of 195,000 new migrants to Australia will be crucial in addressing some of the labour shortages in Australia. Its important new migrants to Australia don't just move to the capital cities.



Policy makers should also consider the level of investment in, and the availability of, quality post-school training and learning across regional Australia, as recommended by the National Regional, Rural and Remote Tertiary Education Strategy adopted by the Government in 2020. JobTrainer and expanded apprenticeship places will increase take-up by employers, but it is vital for regional communities that the pattern of this training being centralized is reversed, so that training can once again be done in region, to maximise the likelihood of qualified workers continuing to provide their skills in regional markets.

As long as skilled migration is constrained, trade labour shortages will persist, at least over the medium term, as any additional investment in training takes a number of years to result in more trade labour workers. The record level of public capital works in regional Australia is adding to current trade shortages and is creating cost increases due to excess demand.

Finally, trade labour shortages tend to be most significant (and chronic) in small and remote communities. Policy makers might consider what incentives could be deployed to encourage tradespeople to practice their trades in regional and remote settings where the shortages are severe and ongoing.

17. **POLICY CONSIDERATION** - The role of incentives for tradespeople to practice their trade in regional and remote settings.
18. **POLICY CONSIDERATION** - Building on the expansion of trade training places to increase trade training in smaller communities across regional Australia.
19. **POLICY CONSIDERATION** - Using record levels of public capital works spending to stimulate expansion of regional trades training.
20. **POLICY CONSIDERATION** - One third of new migrants coming into Australia be located in regional Australia.

Read our *Building the good life Discussion paper: Meeting the demands for regional housing* [here](#)

## 6. REBALANCING THE NATION

To rebalance the nation, RAI envisage the regional workforce is optimised and fit for the future. Regional Australia is experiencing a momentous change in the jobs and skills in demand across regional labour markets, with job vacancies in September 2022 reaching historical highs of 93,000 which is far exceeding the demand associated with the mining construction boom back in 2010-2012.<sup>3</sup> This is at a time where the supply of labour across Australia has been tightened dramatically due to the COVID-19 pandemic, with an average regional unemployment rate of 3.7% in June 2022.<sup>4</sup>

21. **POLICY CONSIDERATION** - Reduce the recruitment difficulty in regional Australia to below 40%.

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<sup>3</sup> RAI analysis of the National Skills Commission Internet Vacancy Index, June, 2022 release, according to RAI regional definition

<sup>4</sup> RAI analysis of the ABS Labour Force (Detailed) June, 2022 release, according to RAI regional definition

Currently 77 percent of recruiting employers in regional Australia report difficulty filling advertised jobs in July 2022 compared to 37 percent in 2019<sup>5</sup> and 90 percent of respondents in our regionalisation consultation survey said their region experienced difficulty finding people with the right skills to fill available jobs.

To reduce recruitment difficulty for regional employers, the following objectives should be considered:

- Harness overseas talent through attraction and settlement support for both international migrants and the skilled expat community living abroad.
- Continue to promote regional Australia as a great place for career growth and development, such as the Move to More platform.
- Emphasise and recognise the importance of liveability for building long-term, sustainable regional workforces into the future.
- Foster flexible and remote working arrangements.
- The benefits of achieving these objectives are:
- The workforce is well matched to the regional labour market, with employers finding the right workers, and workers finding the right jobs.
- Regional businesses and local economies grow and prosper, encouraging new business and newcomers.
- Regional people have diverse career opportunities in a truly national employment market.
- New residents filling vacant jobs bring new knowledge, experiences, diversity – and often families – to the region.

Whilst this tight market represents a more recent trend in some sectors, the regional labour market has evolved into a dynamic market, offering diverse and rewarding careers in a range of professions and skills.

## 22. **POLICY CONSIDERATION - Increase the share of skilled workers employed in regional Australia to 80% of the regional workforce.**

Currently the proportion of skilled occupations in regional Australia has steadily increased over the past two decades, from 67 percent May 2001 to 73 percent in May 2022. In contrast, 79 percent of employment in our major capitals is in skilled occupations.<sup>6</sup>

Nationally, skilled employment is projected to grow by 10 percent between 2021 to 2026<sup>7</sup> and demand for skilled workers has been the strongest of jobs vacancies, accounting for over half of all vacancies in regional Australia in June 2022.<sup>8</sup>

Increasing the share of skilled workers can be achieved by the following objectives:

- Develop targeted workforce strategies and support programs to attract new workers and their families.
- Build upon the Move to More campaign to boost awareness and attraction amongst city dwellers to consider the benefits of regional careers.

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<sup>5</sup> National Skills Commission Recruitment Experiences and Outlook Survey, July 2022 release, according to National Skills definition of capital cities and rest of state.

<sup>6</sup> RAI analysis of ABS Labour Force (Detailed), June 2022 release, according to RAI's regional definition

<sup>7</sup> National Skills Commission, Employment Projections based on 2021-22 MYEFO

<sup>8</sup> RAI analysis of the National Skills Commission Internet Vacancy Index, June, 2022 release, according to RAI regional definition

- Encourage and incentivise the role that industry can play in proactively working with local communities to identify potential future skills gaps and work collaboratively towards implementing solutions.
- Harness overseas talent through attraction and settlement support for both international migrants and the skilled expat community living abroad.

The benefits of achieving these objectives are:

- The workforce is well-matched to the regional labour market, with employers finding the right workers, and workers finding the right jobs.
- Increased prosperity of regional communities, as average household incomes are bolstered with increased skilled workers in the local labour market.
- Building of skills in line with new processes and occupations as new technology and innovations are introduced, boosting productivity.

To further bolster regional labour markets, it is important to 'grow from within'. Our young regional Australians are the best talent and opportunity for regions to tap into. Ensuring they receive a quality education, and continue to aspire to learn, grow, and acquire new qualifications through VET or university is critical to achieving a stronger, rebalanced Australia. The jobs and skills on offer in regional Australia must keep pace with that of our larger capitals, and it is essential that our nation shifts the dial in regional Australia to increase school completion, and further post-school or tertiary qualifications.

### **23. POLICY CONSIDERATION - Increase the school attainment rate of young people in regional Australia to 75% or above.**

Currently the Year 12 certificate attainment rate for regional students on average was 65 percent in 2020.<sup>9</sup> This rate represents the number of students who meet the requirements of a year 12 certificate or equivalent, expressed as a percentage of the estimated potential year 12 population in that year.

In 2020 the Year 12 certificate attainment rate for all students (nationally) was 76 percent. Across Australia's regional areas, this attainment rate was lower in very remote areas at 47 percent, compared to 70 percent in inner and outer regional Australia, and 79 percent in major cities.<sup>10</sup>

Similarly, when looking at overall completion of Year 12 or equivalent for persons aged 15-74 years, there is a large divide between those living in major cities. In 2021, just over 70 percent of the population living in our major cities had completed Year 12 compared to just under 50 percent for those living in regional Australia.<sup>11</sup>

This can be achieved by the following objectives:

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<sup>9</sup> Productivity Commission Report on Government Services 2022, Attainment Indicator, according to Remoteness Area (percentage). The Attainment Rate according to the Report on Government Services definition is the number of students who meet the requirements of a year 12 certificate or equivalent expressed as a percentage of the estimated potential year 12 population (the estimate of a single year age group that could have attended year 12 that year, calculated as the estimated resident population aged 15–19 divided by five).

<sup>10</sup> *ibid*

<sup>11</sup> ABS Survey of Education and Work, Attainment of Year 12 or Equivalent, May 2021 release, according to Remoteness Area. Noting the estimates for remote and very remote have a high margin of error

- Foster and invest in the growth in regional learning systems across regional Australia – read our report ‘The Future of Regional Jobs’ to find out more about this approach.
- There are a number of key areas where local level interventions can nurture this approach, including aligning school pathways with community and local government goals and priorities, supporting close connections among community, employers, industry and education and training providers, providing students with a sense of ‘what’s next’.

The benefits of achieving these objectives are:

- According to the OECD<sup>12</sup>, increased education of regional Australians can foster increased engagement in the labour market, increased earnings, as well as improved wellbeing and lifestyle outcomes for individuals.
- The workforce is trained and skilled in qualifications of high demand now, and in the future, in their region, increasing regional and national output and productivity.

When considering tertiary (VET and university) or ‘post-school’ education of regional Australians, the divide within regional Australia, and compared to major capitals, is even more pronounced.

**24. POLICY CONSIDERATION - Boost post-school qualification completion in regional Australia to 65% or above.**

Currently the proportion of regional Australians with post-school qualifications (aged 15-74 years) in May 2021 was 57 percent.<sup>13</sup> Overall, people living in capital cities are more likely to have a post-school qualification than those living in the rest of Australia. The proportion of Australians with post-school qualifications (aged between 15-74 years) in May 2021 was 64 percent in major cities, compared to 59 percent in inner and 54 percent in outer regional Australia, and 66 percent in remote and very remote Australia.<sup>14</sup>

This difference increases when considering attainment of a bachelor’s degree (or above), with 36 percent of people living in capital cities (aged 15-74 years) completing a bachelor’s degree or above, compared to 20 percent in inner regional and 16 percent in outer regional Australia, and 17 percent in remote and very remote Australia.<sup>15</sup>

This can be achieved by the following objectives:

- Foster localised tertiary education models that allow residents to study further qualifications in place, such as education centres and ensuring reliable, good quality digital access.
- Foster regional learning systems.
- Establish forums that enable younger people living in regional Australia to connect to their local community whilst they are living there and enabling sustained connections whilst they are pursuing post-school opportunities.

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<sup>12</sup> OECD Education at a Glance 2021

<sup>13</sup> Noting the estimates for remote and very remote have a high margin of error. ABS Survey of Education and Work, non-school qualification attainment May 2021 release based on Remoteness Area.

<sup>14</sup> *ibid*

<sup>15</sup> Noting the estimates for remote and very remote have a high margin of error. ABS Survey of Education and Work, non-school qualification attainment May 2021 release based on Remoteness Area.

- Facilitate post-school programs and support to enable young regional, rural and remote Australians to pursue further qualifications:
  - Financial support for young people to pursue further studies is an important factor for many people deciding where and what they will study – assistance through government programs or private scholarships are an important facilitator for young people in enabling further studies post-school.
  - The path from school in a small community to further studies can be confusing, daunting, and for some implausible. Funding Gap Year Co-ordinators in regional centres to build connections and support student transition from school to post-school opportunities could further facilitate these opportunities.

The benefits of achieving these objectives are:

- The RAI estimates that if people in the regions had the same share of Bachelor level qualifications as in metropolitan areas, there would be just over 461,000 more graduates living and working in regional Australia, collectively earning about \$26 billion each year, based on the average salary for a graduate.<sup>16</sup>
- The workforce is well-matched to the regional labour market, with employers finding the right workers, and workers finding the right jobs.
- Increased prosperity of regional communities, as average household incomes are bolstered with increased skilled workers in the local labour market.

## 7. CONCLUSION

The Regional Australia Institute sees a very bright future for regional Australia and believes there are policy setting required to maximise the future prosperity. Since Covid began in 2020, there has been a strong sense of people willing to move from metropolitan areas and live in regional locations right around Australia. The RAI's data collection and analysis also shows there are nearly 100,000 advertised jobs available in the regions and we know many other jobs vacancies exist that are not advertised.

The jobs are available and there are people willing to move but the current main obstacle is the availability of housing in many of the areas where the jobs are available. A significant step in realising the potential in regional Australia is the need for policy intervention in the facilitation of additional housing in regional Australia.

The Government could make considerable inroads into unlocking significantly more employment opportunities by raising the priority of housing in regional Australia.

The Regional Australia Institute would welcome the opportunity to work with the Government on how to address many of the housing policy considerations outlined in this submission.

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<sup>16</sup> This calculation classifies the Greater Capital City Statistical Areas as "metro areas", corresponding with the RAI definition of regional (which includes Darwin and Hobart). The median salary is based on the Graduate Outcomes Survey median salary for those who completed Undergraduate study in full time employment in 2016 (\$57,900).