

Gippsland Regional Labour Force Participation Report

EXECUTIVE SUMMARY



This executive summary was prepared by the Institute of Innovation, Science and Sustainability, Federation University Australia on behalf of the Latrobe Valley Authority.

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This report details the findings of research that considered issues of low labour force participation in the Latrobe-Gippsland Statistical Area Level 4 (SA4), from here on simplified to 'Gippsland'.

The project commenced in June 2021 and was completed in June 2022. It comprised a review of academic and 'grey' literature, analysis of a range of existing national, State, and local quantitative datasets and was supplemented by primary qualitative research.

The objectives were to understand the factors influencing labour force participation and to make recommendations as to interventions that will raise this for specific groups. In synthesising data from a range of sources, and in collecting data from and engaging in a dialogue with community stakeholders the study also contributed to capacity building at the local level.

THE PROJECT HAD FOUR MAIN ELEMENTS:

A review of relevant literature

A review of the international academic and policy literature concerned with factors that influence levels of labour force participation in local economies and how to enhance these.

Analysis of existing datasets

This analysis aimed to identify the nature of employment in the Gippsland region and characteristics of participants and non-participants in the labour force, including comparisons across a range of dimensions e.g., age, gender, socio-economic status, and skill level, the changing industry mix and its relationship with levels of employment.

Key informant interviews

Key informant interviews in the Gippsland region among major employers and employer representative bodies, employment service providers, trade unions, RTOs and education providers, and community groups aimed at eliciting views concerning the nature and extent of barriers to labour force participation and potential remedies.

A community consultation event

A community event at which findings of the study and recommendations were presented, with input from key stakeholders solicited and implemented to refine the final report.

KEY FINDINGS

The broad-ranging focus of this research resulted in several findings related to issues of labour force participation in the region. The key findings are as follows:

1. The labour force participation rate in Gippsland (51.4%) sits well below that of Victoria as a whole (64.6%) (as of September 2021 when the data were collated) and is lower than other parts of regional Victoria, and markedly so in some cases. Participation in Gippsland declined significantly during the pandemic.
2. In Gippsland rates of participation among men and women increased until approximately 2010, before gradually declining thereafter. Men's participation peaked at approximately 75 per cent in 2010 while women's peaked at approximately 63 per cent in 2011. While men's participation continues to exceed that of women, there has been a convergence since 2010.
3. Rates of labour force participation vary markedly by age group across Gippsland. The region's workforce is increasingly an older one. Regarding men, participation of those in the 55-64 age group sits below those of the 35-44 and 45-54 age groups but has seen a marked increase over the last two decades, from approximately 40 per cent in March 1999 to 70 per cent by September 2021.

The participation of men aged 65 plus also shows a gradual and marked increase over time, from approximately five per cent in March 1999 to over 20 per cent in September 2021.

As with men, the participation of women in the 55-64 age group has increased markedly, from below 30 per cent in March 1999 to almost 80 per cent by September 2021. The participation of women aged 65 plus also shows a gradual increase over time, reaching just under 20 per cent in September 2021.
4. By comparison with the older age groups the participation of those men aged 15-24 and 25-34 has declined in recent years. Patterns of participation among the 15-24 age group are uneven but compared with a recent peak of over 80 per cent in March 2016 stood at just over 50 per cent in September 2021. After sitting well above 80 per cent for much of the last two decades the participation of men aged 25-34 declined recently, reaching just under 70 per cent by September 2021. Such trends are not observed in terms of younger women's participation, although participation among those aged 15-25 fell during the pandemic. More generally, it is also important to note that women's participation broadly sits below that for men across age groups.
5. It is apparent that issues of participation are heterogeneous across the region. The local government areas of Baw Baw and South Gippsland possess low rates of unemployment, while Bass Coast, East Gippsland, and Wellington have rates consistent with the range of the Victoria State average. However, Latrobe City possesses an unemployment rate substantially higher than all other local government areas and the State average. It experienced an unemployment rate between 5.8 per cent and 10.6 per cent over the last decade.
6. Evidence concerning those classified as not in the labour force - who are neither employed nor unemployed in a particular reference period - shows that this is an increasingly important phenomenon in the region. Except for Geelong, the incidence of those classified as not in the labour force sets Gippsland apart from the rest of regional Victoria. While it is unsurprising that this phenomenon is particularly observed among both men and women aged 65+ due to this classification including those self-defining as retired it should be noted that numbers have seen a dramatic increase since 2010. This may explain declining levels of labour force participation in Gippsland. Also, noteworthy has been recent growth (albeit from a relatively low base) in the numbers of young men classified as not in the labour force.
7. The project brief also involved consideration of issues of Indigenous Australians' labour force participation in Gippsland. Data that allowed such a degree of specificity were not identified. However, national surveys indicate that the labour force participation of Indigenous Australians compares poorly with those classified as non-Indigenous. It is estimated that approximately 60 per cent of Indigenous Australians of working age (aged 15-64) are participating in the labour force, of which 49 per cent are employed.

By comparison, among non-Indigenous Australians, 80 per cent of the working-age population are in the labour force, of which 76 per cent are employed. Labour force participation among Indigenous Australians aged 55-64 is particularly low. Levels of Indigenous persons' employment decrease and levels of unemployment and not being in the labour force increase from inner regional to outer regional locations.

8. The study findings indicate that labour force participation should be a critical area of concern for regional stakeholders. Alongside the general fall in participation in Gippsland, that of younger men over several years prior to the pandemic is of particular concern as is that for women observed during the pandemic, from both an economic and social perspective. But alongside this, markedly higher levels of unemployment among both younger women and men continue to be a concern, underlining the need for ongoing efforts that have a particular youth focus. That unemployment in Latrobe City is substantially higher than all other local government areas also indicates that policies targeted at reducing unemployment should be specifically tailored to this locality. It can be inferred from the evidence that a lack of participation in the labour force generally and high levels of unemployment among Indigenous Australian also necessitates ongoing specific attention.
9. This picture contrasts with growth in older people's labour force participation. While this should be viewed positively from both an economic and social perspective it raises the question, against the backdrop of an ageing population, of what more could be done to maintain older workers' connections with the labour market, as well as local business' capacity to respond well to the needs and aspirations of an age diverse workforce.

Of particular concern is that those classified as not in the labour force have seen a sharp increase in Gippsland in the last decade and these are disproportionately men and women aged 65 plus. This would indicate a need for a major focus on retaining or drawing a proportion of such people back into the workforce, considering such issues as job service support, skills training, employment arrangements, employer awareness raising and health and wellbeing.
10. More broadly, the findings concerning younger and older age groups raise the question of how to construct an employment narrative for the region that does not position younger and older workers as being in competition for jobs; the so-called 'lump of labour' fallacy. The evidence is clear that younger and older workers are complementary and that businesses benefit from a wide range of skills, knowledge, and experience that an age-diverse workforce brings. A focus on the participation of both young and old will potentially benefit both.
11. In this regard, worker transfer schemes will have diminishing returns in the long run as the power industry transitions, and offerings of early retirement are contradictory to Commonwealth policies aimed at prolonging working lives due to demographic shifts. This necessitates a long-term strategy focused on labour force participation and preventing skilled labour migration from Gippsland. On the other hand, while evidence drawn from Australian and international case studies indicates that it is possible to provide job training and investment in supporting new industries and create replacement jobs that reabsorb displaced labour within a region, like does not necessarily replace like, with job quality a factor requiring attention.
12. There is an entrenched culture of intergenerational joblessness and welfare in some parts of Gippsland. Analysis of welfare allocation rates indicates that the number of people on unemployment and other payments has remained relatively steady on a year-by-year basis, indicating that this cohort is neither shrinking nor growing substantially. Addressing this cultural issue will require not only the provision of jobs, but career pathways capable of fostering a sense of independence, self-reliance, and aspiration in communities where this is absent.
13. There is a changing culture regarding attitudes towards work and increasing desire among employees to maintain a stronger work-life balance. A shift towards more flexible working arrangements is indicative of the changing 'psychological contract' that employees have with their employers, which is not yet fully understood. It is important that employers respond to this emerging paradigm.

Alongside this was evidence of a shift in the nature of employment contracts being offered, raising questions regarding the preservation of job quality in the region, an issue worthy of particular attention if it is to stave off competition from employers in metropolitan Melbourne who might be able to offer better terms and conditions.
14. The Gippsland economy is becoming knowledge based and ensuring its population has the requisite capabilities will be critical to maintaining an adequate supply of labour. Sectors such as agriculture are becoming increasingly technology-oriented, with growing demand for skilled workers sitting alongside an unmet need for low skill workers.

This shift from what was once a predominantly low skill industry needs to be addressed to ensure it can access the workers it needs. This issue is especially pertinent given the identification of food and fibre as an area of specialisation for the region into the future.
15. Also identified was how disproportionately high rates of domestic violence in parts of the region might undermine women's labour force participation. A lack of the stability required to be able to transition into work effectively may result in long-term joblessness, particularly in circumstances where dependent children are involved. Experiences of abuse may also affect how people engage with employers and employment services.
16. The availability of public transport was identified as a critical impediment to finding and holding down a job, with smaller or remote communities and industries based outside of community centres disproportionately impacted by fewer public options. Transport schedules also predominantly cater to a traditional '9 to 5' work schedule, limiting options for employees whose workplaces operate outside this usual window.

RECOMMENDATIONS

While this research has produced important findings regarding participation in Gippsland this represents the beginning of a process as opposed to an end. Nevertheless, this report provides a foundation upon which future projects can build. Considering the above findings, the following recommendations can be made:

1. Gippsland could position itself as being at the forefront of what a post-carbon labour market should look like.

There is a need for a focused long-term and multi-agency labour market strategy for Gippsland, which emphasises proactive planning for the managed transition of traditional industries and the conditions necessary for the emergence of new ones. To respond effectively to future labour demand, policy should emphasise the participation of workers and solutions should focus on growing and maintaining labour supply. For example, the use of early retirement schemes, while offering short-term expediency, often results in a permanent loss of skilled workers, sends the wrong message to both industry and the workforce about effective labour market management, and runs counter to national efforts aimed at raising levels of employment among older workers against a backdrop of population ageing.

2. Tackling the problem of low labour force participation is a major undertaking, having significant resourcing implications.

It will necessitate a culture shift and a significant expansion of services well beyond those designed to assist people classified as unemployed. While the needs of non-labour force participants and the unemployed will overlap to an extent, the level of resourcing for existing services will need to increase substantially and new services will be needed, given the nature and scale of the participation gap. More broadly there sits a need to increase local industry's capability in terms of workforce management and planning and understanding of their local labour market. Within the community it is also important to encourage and incentivise work, help people reskill and identify pathways to sustainable employment.

This will include changing attitudes to work and increasing understanding of the modern workplace. That such issues are being faced by other parts of regional Australia suggests that Gippsland could be used as a testbed for innovation around issues of labour supply, identifying solutions that could be applied elsewhere. Given numerous examples of somewhat similar regions in transition elsewhere in Australia and internationally some of which were described in this report, lessons could be learned from deep analysis of these that could inform actions in Gippsland.

3. The region's specific circumstances will potentially require the piloting of innovative labour market solutions.

State and Commonwealth Government agencies will play a central role here in a range of areas such as:

- Redesigning and expanding the labour market eco-system, particularly regarding aligning careers, skills and education offerings with the needs of future industries.
- Supporting a range of focused initiatives targeting the participation of specific groups e.g., those classified as not in the labour force including young people who have dropped out of or never engaged with work and the retired, those in poor health or with a disability, Indigenous Australians, women generally and specifically women experiencing domestic violence, CALD groups and older workers.
- Addressing transportation needs.
- Educational activities among local business focused on identifying and implementing effective labour supply strategies.
- The provision of quality labour market analysis that can inform policymaking and aid in evaluating program success.

4. A new labour market eco-system will necessitate the establishment of an entity to develop and coordinate services.

Evidence from this study points to some confusion regarding the respective roles of the labour market actors, even among senior community representatives. A revised and expanded suite of labour market services will require the oversight of a local body representing key stakeholders. In conjunction with Commonwealth and State actors there would also be potential merit in drawing on local capability in co-designing this new eco-system to increase community buy-in and understanding.

5. There is a need to consider labour force participation in the context of dynamic changes in work and the characteristics of workers.

Translational activities that raise awareness about the implications of these changes and engage business with emerging best practices in areas such as skills, job quality, flexible working, and labour sourcing, and the reconfiguring of human resource management capability to make it more responsive to future-oriented business needs will be required. This will require universities and TAFE working with local industry and regional stakeholders in developing and promulgating contemporary models of work that position Gippsland as being at the leading edge of such developments if they are to attract high quality candidates and retain workers.

At a time of a historically tight national labour market Gippsland's future competitiveness will depend on the ability of its businesses to maintain and grow their labour supply. This may also involve much greater cooperation among local businesses to prevent the leakage of workers outside of the region.

6. There is a need for more accessible, accurate and timely data alongside greater local capability in the synthesis and analysis of such data to inform policy and program design to improve labour force participation.

This research has identified important emerging labour market trends, but knowledge gaps are also apparent. While much relevant data exist, they were not always readily available to the research team to utilise, with difficulties in obtaining permissions and confidentiality encountered. Local capability would ensure that the data requirements of new projects are considered and addressed during the planning and implementation stages.

A detailed breakdown of the issues faced by this research and the way a data management strategy has the potential to produce better outcomes is provided. There is also potential value in exploring innovative approaches to measuring labour force participation, reducing reliance on survey data, to obtain assessments that may be more reliable.

7. Alongside this is the importance of being able to collect data that can allow fine-grained analysis of issues as they pertain to relatively small but important groups.

These include women running small businesses from home, young men not in the labour force, Indigenous Australians, people with a disability, CALD groups, or those experiencing domestic violence. Bespoke, small-scale research projects that provide a deep understanding of the experiences and orientations of such groups would be of value when designing labour market interventions.

8. Additionally, there is an opportunity to undertake co-design activities among target groups.

Involving potential participants in the design of labour market interventions would provide these with a degree of authenticity and a distinctly local flavour which would potentially facilitate client and community buy-in.

9. Focusing public debate on labour force participation more broadly would demonstrate a progressive approach to labour market policy.

There is potential value in mainstreaming discussion about work and moving beyond the unemployment rate as the lead indicator of the success of labour market management. While much stigma is still attached to being jobless, many more find themselves in poor quality jobs that are precarious and do not provide a pathway to building a career, offer too few or require too many working hours, are under threat due to economic transformation, are poorly remunerated, or do not provide opportunities for skills acquisition, each of which can have deleterious consequences for individual and community wellbeing.

Against the backdrop of the recent economic upheaval arising from the pandemic that led to large scale job losses, and a future of work that will inevitably fragment a working life, many in the community are presently revising their expectations of work and retirement or want to understand what the future of their occupation or industry will be. They would be aided by an informed community dialogue concerning the changing world of work which incorporates a broader focus on participation.

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