

**Submission  
No 46**

## **SKILL SHORTAGES IN NSW**

**Organisation:** Cessnock City Council  
**Name:** Mr Stephen Glen  
**Position:** General Manager  
**Date Received:** 30/07/2013



24 July 2013

The Chair  
Committee on Economic Development  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

Contact: Jane Holdsworth  
Our Ref: DOC2013/028962  
Your Ref:

By Email: [economicdevelopment@parliament.nsw.gov.au](mailto:economicdevelopment@parliament.nsw.gov.au)

Dear Sir

### **SUBMISSION - INQUIRY INTO SKILLS SHORTAGES IN NSW**

The Cessnock City Council (Council) welcomes the opportunity to provide a submission in response to the Legislative Assembly Committee on Economic Development's *'Inquiry into Skills Shortages in NSW'*.

In recognition of the importance of maintaining the capacity and capability of an appropriate skills base for economic growth in a local government area (LGA), the Council provides the following submission for your consideration and action.

#### **Cessnock City Council**

Cessnock Local Government Area (LGA) is situated in the Hunter Region of NSW, approximately 150 kilometres north of Sydney and 50 kilometres west of Newcastle.

Cessnock City comprises of two major towns, Cessnock and Kurri Kurri, 21 villages and 34 hamlets and localities. The Cessnock LGA has a currently estimated population of 52,493 and had the highest population growth (10% from 2006 to 2011) in the Hunter Region and one of the highest in NSW. The LGA is also experiencing a rise in Gross Regional Product now exceeding \$2,087.3million<sup>1</sup>.

Located strategically in the economic growth corridor of the Lower Hunter, with easy access to major transport infrastructure, Cessnock City is sustained by a growing, diverse business environment and an internationally recognised wine and tourism destination.

The advantages of the LGA, which will include the new Hunter Expressway to be opened in December 2013, has created the catalyst for a range of economic and social opportunities including key advantages to attract business investment.

In order to fully maximise the opportunities presented and ensure the sustainability and viability of the LGA's current businesses, Council has committed to a strong focus on

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<sup>1</sup> AEC Group (2012) TELEPHONE: (02) 4993 4100, FAX: (02) 4993 2500  
POSTAL ADDRESS: PO BOX 152, CESSNOCK, NSW, 2325 or DX 21502 CESSNOCK  
EMAIL ADDRESS: [council@cessnock.nsw.gov.au](mailto:council@cessnock.nsw.gov.au) VISIT US AT: <http://www.cessnock.nsw.gov.au>  
ABN 60 919 148 928

developing and implementing robust economic development strategies to ensure the Vision for '*A sustainable and prosperous community*'<sup>2</sup>, is realised.

The key Economic Development Objectives under *Cessnock 2020* are:

- Support creation of local long term and stable employment opportunities
- Enable and encourage diverse and long term appropriate investment in our economy (build, environment, human)
- Attract business, government and industry to establish or expand locally to mitigate reliance on dominant industries
- Promote ongoing investment in a skilled workforce
- Strengthen the local economy and improve resilience through recognising the need to enhance Cessnock LGA's amenity, image and quality of life
- Develop mutually beneficial cooperative partnerships across the community
- Respond and adapt appropriately to changes within our economy and recognise future opportunities.

As a result, Council has commissioned an '*Economic Development Strategy*' (Strategy) that will be finalised in July/August 2013.

The draft Strategy has identified that one of the key competitive disadvantages is that '*many workers are not highly skilled and/or highly educated, with low numeracy and literacy skills*'.<sup>3</sup>

Currently, the LGA is experiencing a high unemployment rate of 6.6% compared with 5.6% across NSW.

Education levels are also low, which is a barrier to both employment and economic development as shown below:

- 21.1% left school in Years 8 or ( (NSW (12.9%) ), 37.1% left school in Year 10 (24.1%)
- 24% completed HSC (NSW 47.6%)
- 36.7% have tertiary qualification (NSW 17.7%)

Further, 53.5% of its population earns less than the minimum weekly wage (NSW 48.3%).

Of the four Socio-Economic Indicators for Areas (SEIFA) indices of Advantage and Disadvantage, Cessnock LGA rates '*disadvantaged*' in three. Of the 152 LGA's in NSW, Cessnock LGA rates:

- 2<sup>nd</sup> lowest in the Index of Education and Occupation (i.e. level of qualification achieved as well as further education being undertaken/achieved);
- 33<sup>rd</sup> lowest in the Index of Relative Socio-economic Disadvantage (low income, low educational attainment, unemployment, unskilled jobs);
- 28<sup>th</sup> lowest in the Index of Relative Socio-economic Advantage and Disadvantage (i.e. economic and social conditions of people and households including educational levels/skilled employment); and
- 71<sup>st</sup> lowest in the Index of Economic Resources (i.e. financial aspects).

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<sup>2</sup> Cessnock City Council's (Council) Community Strategic Plan, *Cessnock 2020*

<sup>3</sup> Pg 6 CCC Economic Development Strategy - 2013

## **Cessnock Tourism/Wine Industry**

The Hunter Region is one of the most visited regions in Australia with the Wine Country area in Cessnock LGA being one of the primary destinations (third most visited region in NSW). In addition to wine, the tourism offerings in the LGA includes mainland Australia's largest mural town, museums, outstanding natural environment and scenery that offer a diverse range of recreational opportunities, fine heritage structures, emerging arts and cultural precincts, a full complement of accommodation options and world heritage aboriginal and convict sites.

Australia-wide the wine market is expected to grow over the next 5 years, with sales forecast to increase by 2.5% per annum. Wine markets are opening up in developing countries, with the Hunter Region well positioned to move into these key future export markets.

The Hunter Valley is the oldest and one of the highest profile wine areas in Australia with Pokolbin being the focal point for the regional wine industry. The wine industry in the LGA is dominated by small and boutique businesses, most of which are independently owned and operated. The concentration of cellar door outlets in the LGA is a major tourism attraction.

Whilst the Wine Country, including other tourism products and services located across the LGA, is positioned as a sophisticated, up-market, world class destination, it does not consistently deliver on the branding as in some cases, there is a shortage of skill levels, particularly soft skills, within the tourism industry.<sup>4</sup>

## **Manufacturing**

The LGA is a recognised centre for manufacturing in the Hunter Region, with output including industrial and metal based products, wine making and boutique food and beverage products.

Manufacturing Australia wide is under pressure from the high Australian dollar, competition from developing nations with lower cost structures, limited raw materials, increasing energy prices, rapidly changing technology and requirements for low carbon production.

The key to retention and growth for manufacturing in the Cessnock LGA and for the industry to remain competitive is for manufacturers to continue undertaking significant structural changes, embrace changes in traditional manufacturing and business processes, technologies, increase R&D/innovation and understand the global changes to continually meet market needs.

However, to support the ongoing prosperity and viability of manufacturing, job skills will need to become more diverse and geared towards higher end manufacturing where innovative skills in design (industrial, technological, interior, product, marketing, etc) and technology will be more and more required. Increasingly, industry is demanding soft skills and higher order skills such as problem solving and contingency planning as well as leadership, business and basic management skills across the hierarchy of jobs within an organisation.

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<sup>4</sup> CCC Economic Development Strategy (2013), Draft Hunter Valley Destination Management Plan (2013) and CCC Skills Survey (May 2013)

## **Retail**

Cessnock LGA has a good mix of food and grocery stores, general specialty shops and personal, commercial and community services. However, it has been identified through research<sup>5</sup>, that there is a shortage of basic 'job-ready' skills in addition to soft skills across all industries.

### **Drivers of Skill Shortages**

There are a number of causes of skill shortages, and the relevance of these causes differs across regions. There are two main perspectives of skill shortages taken by different groups. This first is an industry or national focus. This perspective is common amongst government agencies and industry groups.

The second is a location focus which aims to identify the local drivers of skill shortages. The drivers that are most likely to influence skill shortages in regional Australia are:

- Health
- Education and training
- Housing
- Jobs and career opportunities
- Infrastructure
- Perceptions of lifestyle and community.

The issue for regional communities is their differing needs as well as varying levels of training resources for the community to draw upon. These differing needs precludes providing generic strategies and programs that could be provided in large populated metropolitan areas.

Generally, both the problem and hence the solution is a multi-dimensional approach that can provide tailored and practical solutions to a particular community.

In order to provide such solutions, a coordinated and integrated approach by each level of government and key training providers is required. This would provide communities with an ability to mix and match the various programs and initiatives that are available, and provide a more customised training service to enable the desired outcomes.

### **RECOMMENDATION:**

That funding agreements and providers of education and training programs have the flexibility to provide more tailored and demand driven approaches in the provision of education and training, particularly in regional areas.

Further, that a more strategic approach be taken with businesses in regional communities to allow for free audits of skill levels within an organisation to assess gaps and needs. Those businesses could then be supported more relevantly by local education and training providers. In addition, skills shortages within businesses can be reduced by the tailored mix and match approach.

Either way, the most critical outcome is the on-going up-skilling of workers in regional communities that will allow greater ability for regional businesses to be competitive and productive and provide critical transferable skills.

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<sup>5</sup> CCC Draft Economic Development Strategy (2013), Draft Hunter Valley Destination Management Plan (2013) and CCC Skills Survey (May 2013)

### **Gaps and Areas of Skills Needs in Cessnock LGA**

- Basic skills – including literacy and numeracy skills
- Soft skills/customer service – in all industries, particularly in tourism and visitor service industries, manufacturing and retail at a level that participants are ‘work ready’ and productive from day one;
- General skills shortages in:
  - Hospitality staff (kitchen, wait and cellar door staff, cooks and chefs)
  - Mechanics
  - Construction trades
  - IT
  - Clerical and retail staff
  - Early intervention skills (e.g. speech pathology, occupational therapy, psychologists etc)
- Leadership, business skills, including strategic and business planning;
- Current courses in the LGA are ‘entry level’ vocational courses with people having to leave the area to access higher order/professional skills ; and
- ‘Export ready’ training<sup>6</sup>

Cessnock LGA is ranked second lowest of all LGAs in NSW in terms of Education and Occupation. Council recognises the imperative to develop and implement strategies that will:

- Encourage the attainment of education at higher levels;
- Encourage greater school retention;
- Ensure provision for access to appropriate tertiary education;
- Create and attract a greater diversity of employment; and
- Encourage training and up-skilling in the workforce.

A critical key to achieving these strategies is the provision of appropriate infrastructure, particularly in regional communities.

Communities, business, industry and individuals are becoming increasingly engaged in the global network of economic and social activities that are enabled by information and communication technologies (ICT), such as the internet, mobile and sensor networks. This is increasingly becoming the choice as a preferred method of delivering and consuming education and training services.

The worldwide market for self-paced eLearning reached \$35.6 billion in 2011. The five-year compound annual growth rate is estimated at 7.6% with revenues expected to reach \$51.5 billion by 2016.<sup>7</sup>

Digitalisation of education (eLearning) is expected to result in a fifteen fold growth over the next decade, which will represent at total of 30% of the total education market.<sup>8</sup>

It is therefore disappointing that the Cessnock LGA is to be by-passed by the NBN when such infrastructure could provide the delivery solution for successful outcomes of the above strategies.

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<sup>6</sup> CCC Draft Economic Development Strategy 2013 (Business survey results – highlighted potential of a broad range of businesses to export)

<sup>7</sup> Ambient Insight Research 2011 (International e-Learning Market Research)

<sup>8</sup> Edxus Group and IBIS Capital - 14 May 2013 (specialist media investment and advisory firm)

**RECOMMENDATION:**

In order to support the continued growth of industry and business, as well as contribute to the successful outcomes of both the State and national skilling goals, Cessnock LGA must be recognised as a key 'Digital Region'. ICT infrastructure must be made available and accessible to current and future residents to ensure life long learning and appropriate and tailored education and skilling services can be provided. Council recommends that the State government supports the amendment of the NBN roll-out to include the Cessnock LGA, its communities, residents and businesses.

**COLLABORATIVE APPROACH**

The LGA's labour force is 22,338, with 13,000 working locally, 9,000 leaving the City to work and 5,000 arriving daily to work. There are many opportunities for both economic and employment growth across the LGA, if a tailored offering of education, training and up-skilling was available.

In addition, the provision of infrastructure for delivery of these services is most critical.

What is needed in the LGA is an all of government approach to raise the capacity and capability of skill levels across the region. This would enhance the ability of individuals to take advantage of career opportunities, support business growth, investment and competitiveness of the LGA.

**RECOMMENDATION:**

That the State and Federal Government work collaboratively with Council and key stakeholders to develop and implement a Skills Strategy for the LGA. The objectives of the strategy to provide key employment outcomes, raise skills levels and an appropriately trained and skilled labour force to take advantage of the many opportunities of growth in the region. Funding and resources for the development and implementation of the strategy and to support appropriate and tailored, education and training requirements to meet both resident and business needs would be provided by State Government and key stakeholders.

**CONCLUSION:**

Council is most supportive of both the State and national governments targets to increase education and skilling.

However, it is clear that adequate and appropriate funding and support must be provided to regional Councils to ensure that they can assist the State and national governments to achieve ambitious education and training targets. Cessnock City Council is most willing to participate collaboratively to achieve such targets and believes it is well placed to do so. In addition, outcomes of increasing the skills levels and employment within the LGA and boosting the whole economic base will also be realised.

The Cessnock City Council again thanks you for the opportunity of providing this submission and looks forward to the outcomes of the Inquiry.

Should you require any further information, please contact Jane Holdsworth, Economic Development Manager on phone [REDACTED] or email [REDACTED]

Yours faithfully

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Stephèn/Glen  
General Manager