Submission Number: 18
Date Received 16/4/2010

Paper Addressing the House of Representatives Employment Committee's Inquiry into Regional Skills Relocation

This submission to the House of Representatives Standing Committee on Employment and Workplace Relations inquiry into regional skills relocation is presented by ForestWorks, the Industry Skills Council for the forest, wood, paper and timber products industry.

The information outlined at Attachment 1 sets the context for the importance of both attracting skilled workers to regional areas and retaining them. From this context it is important that any regional skills relocation strategy does not become an exclusive strategy to meet the next resources boom.

In understanding and contributing to the regional skills relocation strategy it is important to emphasise that it can have several elements – labour shortages; skilled labour shortages; existing labour with skills shortages, labour oversupply with skill shortages, and skills shortages against new and emerging workplace demands.

Skill Development
A key component of any strategy will be the approach to skill development. It is critical to have training opportunities once a person has either pre trained for an occupation or is employed and then trained 'at work'. In both scenarios, the industry has found that good relationships between Registered Training Organisations (RTOs) and enterprises are critical and that a volume of demand to meet the costs of training and assessment is required.

As funding is at a state and qualification level, rather than the actual costs of a qualification, then in a low volume/high cost delivery situation (which this industry faces), the training component often comprises industry-funded, in house, informal learning. Skills acquired this way are not formally recognised and therefore have limited portability to support a worker whose employment situation changes.

Additionally, it is vital that skills shortages are not merely categorised through existing occupation classifications that tend to be historically captured against trades but instead are captured as 'real' skill shortages that sit across occupations. Also, vacancy advertisements capture only a portion of the total level of job vacancies for the industry, and do not reveal or identify the level of recruitment activity and skills demand. The reality is that many jobs are promoted through local networks, contacts and non government services agencies and, of course, through word of mouth.

Mobility Factors
ForestWorks has worked with some 120 workers made redundant in Dartmoor, south western Victoria during 2009. It took extensive conversations and site visits, preliminary training and job exposure for mill staff to recognise their timber product knowledge could be valuable and transferable to another sector of the industry – in this instance the fire crews and plantation maintenance crews operating across the border in South Australia.

Labour mobility to areas of skills shortages may have been researched in terms of familial demands (schooling, child care, family carer roles and partner's access to employment), but from the industry's recent experiences with job losses, these factors are highly influential in people's decisions to relocate.

ForestWorks has a long record of managing workers assistance programs where people have been made redundant - predominantly in regional areas. Our findings since 2000 have been that people prefer to stay where their family, housing and schooling is and to commute to new employment. Some evidence has shown that people will relocate to another region or state for work but that this is largely influenced by an existing family connection in the new area.

Incentives such as relocation and employer subsidies were made available to redundant workers in Victoria earlier this decade. Subsequent feedback from this project showed that the incentives, whilst supporting a family's relocation, were not the primary reason, or an influencing factor, in the decision to relocate. However, this data is anecdotal and not based on a survey of all workers affected and their decisions.

A research project[1] reported a very strong connectedness of workers to their community and perception of social responsibility – that the workplace and community are not separate, but indeed relies on and depend on each other. Mobility and relocation therefore are also tied to a person's perception of that new community.

The reality of housing was one of the most significant factors in people not moving to another area where there was employment. The cost of moving from a place where house prices have fallen (such as the North East in Tasmania) to another area would be out of reach for most people. Transport assistance and the cost of working away from home can be more expensive than 'staying put'.

Labour oversupply may also occur in one area as a result of structural adjustments or unreliable contract demands, yet that same sector or business profile may be facing a labour undersupply in another Australian region.

Labour and skills
It would appear that where there is both a labour supply shortage and a skills shortage that the responses will vary and the support will be different. If there is a situation where there is a skilled labour shortage in an area that can be drawn on from an existing pool in another geographic area, then companies often address this through housing, salary sacrificing, family friendly communities and so on – or in the fly in/fly out scenario.

Where there is a labour resource without the matching skills then there are issues relating to encouraging people to undertake the required training, remembering that skills take time to both

[1] ForestWorks 'Moving Women into Forestry' Final Report May 2009 funded by Commonwealth Government Department of Education, Employment and Workplace Relations

acquire and to apply to match the production demands of a workplace. Where there are existing workers who could meet a skills shortage by retraining and upskilling will be another profile; or workers moving from a casualised workplace to a new industry in the same location with fulltime employment will require understanding to identify the role and incentives that government can provide in ensuring regional skills needs are met.

It is noted that in the transcript of the Public Hearing held on 11th March it was identified that Job Services Australia already has the discretionary power to provide relocation assistance. In the large loss of jobs in the industry at Dartmoor, Scottsdale and Nangwarry, there was no reported relocation assistance offered, nor accessed by the approximately 280 redundant workers.

ForestWorks supports the public hearing discussion that labour mobility should not be considered only in terms of the resources boom and isolated regions – regions where the forest, timber, paper and wood products industry exists become vulnerable as a result of people moving to these boom areas.

ForestWorks recommends that:

- Any strategy includes regions that also suffer labour loss and skill loss as a result of the resources boom
- Incentives and allowances are part of a strategy; not the primary component
- Relocation recognises the impact on both the community losing labour and skills as well as the community attracting labour skill
- People who are inexperienced workers or do not have the skills match are supported and this is often best addressed by peer support, mentoring or a ‘friendship/mateship’ strategy
- The issues of labour shortages, skills shortages, and skills gaps are understood and considered to match relevant incentives, payments, training etc to assist with demand.

Attachment One

Australia's forest, wood, paper and timber products industry has been negatively touched by the Global Financial Crisis (GFC) but its capacity is expected to gain full recovery or even expand over the next period of time. ForestWorks Industry Skills Council appreciates that 2010 will be characterised by concerns about whether the industry will have available to it the skilled employees it requires for various activities[2]. As this industry operates largely in the regional areas, most of the economic downturn's consequences have been experienced in the regional businesses and communities.

ForestWorks aims through this submission to draw the attention of the House of Representatives Employment Committee on the workforce challenges ahead the forest, wood, paper and timber products industry and to advocate the regional skills relocation initiative with supportive details.

This paper provides an outline of the profile of the Australia's forest, wood, paper and timber products industry during the GFC and an overview of the national measures and other external factors expected to reconsolidate the industry's production and workflow. The paper sets the context of the regional consequences and implications of labour movement in the industry.

The profile of the Australia's forest, wood, paper and timber products industry during the GFC

There is no doubt that Australia's forest, wood, paper and timber products industry has been adversely affected by the GFC throughout 2008-2010. In an international environment characterised by the fall in global trade of forest products, particularly woodchips, and a drop in domestic housing sector demand, the industry experienced negative effects in its production and trade activity[3]. As a consequence, a number of companies operating in the industry were forced to slow down their activity and reduce the number of working days and employees, or shutdown their businesses.

Mass media has been receptive to the industry's response to the economic downturn, capturing and distributing a series of factual situations. This information provides a good understanding of how the industry has responded to the GFC in terms of its production and workforce capacities.

The recession of the forest and wood products industry started during the second half of 2008 with the closure of several timber mills including Carter Holt Harvey's Dartmoor mill in the west Victoria[4], Gunns' Yarloop sawmill in Western Australia[5], Boral timber mill at Walcha in New South Wales[6]. The workers were given the option to take redundancy package or alternatively, to transfer to the other operating plants of the companies. At the end of 2008, Carter Holt Harvey announced a further fall and job losses at its timber production facilities at the Myrtleford

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[2] ForestWorks, 2010, Environmental Scan. Melbourne, March.

[3] ABARE, 2009, Australian Forest and Wood Products Statistics March and June quarters 2009. Canberra, November.

[4] http://abc.gov.au/news/stories/2008/09/25/2374071.htm?site=gippsland

[5] http://www.countryman.com.au/article/1780.html

[6] http://www.abc.net.au/news/stories/2008/07/31/2320332.htm

mill[7], north-east of Melbourne. Around the same time, Laminex had voluntary redundancies at its particleboard manufacturing plant in Ballarat[8]. In the second quarter of 2009, Carter Holt Harvey reduced its production and workforce at the Nangwarry plywood mill in South Australia to about two thirds[9], expressing a further decline in March 2010[10]. Likewise, Wespine Industries, a major softwood sawmill company, has experienced a 20 per cent drop in its production capacity at Dardanup mill in Western Australia. More forestry jobs were lost in Western Australia during 2009, i.e., Forest Products Commission's redundancies, with even more timber workplaces being under threat in 2010[11,12].

GFC has hit the Tasmanian forest industry as well. This forestry segment encountered temporary shutdowns of a number of Gunns' woodchips, pulp and paper mills and consequently, a less demand for seedlings and timber[13,14,15]. As result, the forestry contractors were affected, reducing their working capacities at about 75 per cent of their quota by the end of 2009[16]. Timber workers in areas like silviculture and roadworks have lost their work as well[17].

Equally affected was the forestry contracting companies in other states such as Global Forest Technologies in Queensland, which was forced to lay off jobs during 2009[18].

National measures and other external factors expected to increase the industry's production and workflow

The Federal and State Governments as well as the national and local organisations, which represent the industry's interests, have been responsive to the troubled timber industry, supporting it in different ways.

Generally, the Federal Government sets ongoing policy frameworks for the industry's future, primarily through the Regional Forest Agreements and Plantations for Australia 2020 Vision. Recognising the evident challenges ahead the whole industry, the Government established in 2009 the Forest Industry Leaders Ministerial Roundtable and the Pulp & Paper Industry Strategy Group to support the strategic actions for the industry[19].

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7 http://www.theage.com.au/news/National/Trouble-at-mill-protests-as-50-jobs-go/2004/12/13/1102787016508.html?from=moreStories

8 http://www.cfmeuffpd.org.au/news/2676.html

9 http://www.abc.net.au/news/stories/2009/04/28/2554325.htm

10 Friday Offcuts, 2010, CHH cutting jobs at plywood operation. Issue from 5 February.

11 http://www.abc.net.au/rural/wa/content/2010/02/s2828166.htm

12 http://www.abc.net.au/rural/wa/content/2010/02/s2829328.htm

13 http://www.themercury.com.au/article/2009/02/20/56805_todays-news.html

14 http://www.proprint.com.au/Tools/Print.aspx?CIID=138835

15 http://www.proprint.com.au/News/138835,gunns-continues-shutdowns-as-woodchip-demand-falls.aspx

16 http://www.forestrytas.com.au/news/2009/12/9-3-million-operating-profit-for-forestry-tasmania

17 http://www.abc.net.au/news/stories/2010/03/09/2840126.htm

18 http://www.abc.net.au/rural/qld/content/2009/07/s2627992.htm

19 http://www.maff.gov.au/transcripts/transcripts/2009/june/preparing_our_forest_industries_for_the_future?SQ_ACTION=clear_design_name

The Minister for Agriculture, Fisheries and Forestry announced in December 2009 the first grant under the Forest Industry Development Fund which aims to underpin jobs and economic growth in regional communities[20].

ForestWorks engaged with the industry in a range of employment service activities during 2009, providing professional assistance and support to groups of workers left without jobs[21].

Tasmanian Government has allocated considerable funds to assist the struggling forest contractors[22]. Pressed by the need of immediate financial re-organisation, the Tasmanian timber companies (i.e. Forest Enterprises Australia) and communities are also seeking support, relying on the local Government[23] and financiers[24].

Tasmanian Forest Industry Council has recently developed a plan which identifies new investment opportunities for the industry, enabling its growth over the next ten years[25].

Market studies[26] have captured a slow recovery of the industry from the economic downturn, starting even from the last quarter of 2009. Yet, there are predictions[25] that the Australian dollar will continue to gain strength throughout 2010, impacting further exporters and domestic manufacturers competing with overseas imports. Positively, the domestic household demand, particularly the strong recovery of housing market, is expected to sustain the economic growth [25,27].

Predictions for 2010

The review of the media reports indicates that the GFC has been temporarily suspended or cut jobs in all the Australian states with intense activity in forestry and wood products sector. There are not statistical evidences to determine the degree to which the economic downturn affected the workforce by industry sector, regions and states but few indicative key points were formulated from the current review:

- Overall, the most labour-affected sector appears to be the primary wood processing sector.
- A chain effect caused workforce turmoil also in the services/activities from the supply chain with immediate connection to the primary wood processing sector.
- The closed down production facilities and the production slow-downs are expected to re-operate at full capacities once the national economy is gaining strength.

The economic predictions for 2010 indicate a slow economic growth for the industry over this year. This implies the expectation of a possible moderate workforce demand in the affected

20 Australian Forest and Timber News – Timberman, 2009, Support for projects that add value to forest and wood products industries. Issue 11, December.

21 ForestWorks, 2010, Environmental Scan. Melbourne, March.

22 http://www.abc.net.au/news/stories/2010/03/02/2834548.htm?site=news

23 http://www.abc.net.au/news/stories/2010/03/15/2845705.htm

24 Friday Offcuts, 2010, No Government prop up for FEA. Issue from 19 May.

25 http://www.efarming.com.au/News/agricultural/02/02/2010/86260/forest-future-plan.html

26 URS Forestry, 2010, Timber Market Survey - December Quarter 2009. [www] http://www.ap.urscorp.com/Sectors/Forestry/TimberMarketSurvey/Archives/

27 ABARE, 2010, Future Directions for the Australian Forest Industry. *Issues insights 10.1*. Canbera, March. [www] http://www.abareconomics.com/publications_html/ins/insights_10/a1.pdf

areas, to partially or fully cover the labour force loss.

Studies undertaken in Tasmania[28] and Western Australia[29] point out that higher proportion of workers in forestry and logging, forestry support services and wood manufacturing are based in large towns and regional cities. These studies note also the workers' tendency to commute from small towns to work in manufacturing facilities rather than changing their residential address but they do not make references on how the vice versa is perceived among the communities.

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[28] Schirmer, J., 2009, Socioeconomic impacts of the plantation industry on rural communities in Tasmania. CRC for Forestry, Technical Report 199. [www] http://www.crcforestry.com.au/publications/technical-reports/index.html

[29] Schirmer, J., 2009, Socio-economic impacts of the plantation industry on rural communities in Western Australia. CRC for Forestry, Technical Report 198. [www] http://www.crcforestry.com.au/publications/technical-reports/index.html