[In]Sights for Competitive Regions: Labour Market Efficiency

[In]Sight: Australia’s regional competitiveness index is the lens regions need to make the most of their advantages.

This report provides an analysis of Labour Market Efficiency in [In]Sight: Australia’s regional competitiveness index. Other analysis reports, a detailed user guide and the online interactive map including 624 regional competitiveness profiles are available at www.regionalaustralia.org.au/insight
Making the Most of Our Regional Labour Markets

People and their participation in the workforce is at the heart of every economy. The Labour Market Efficiency theme shows significant opportunities for Australia to improve its competitiveness by better engaging the workforce in many regions.

Coastal areas present the greatest competitive challenge for Australia’s labour market. Often with well over 30 per cent welfare dependency, these areas have structural challenges that must be resolved for Australia to realise its competitive potential.

It is also imperative that we build the skilled labour capacity in our Regional Cities to bolster the competitiveness of the places in which half of the population of regional Australia live. These areas have large and diverse economies that should be attracting and supporting more skilled labour than they currently do. Lower skilled labour levels will limit growth potential in these areas.

However, labour market challenges are clustered and many parts of regional Australia have highly efficient labour markets. Many rural Heartland Regions of Queensland, New South Wales, Victoria and Western Australia appear to be among the most efficient in the nation, though this could be due to population drift towards areas with more opportunities.
IN SIGHT

AT A GLANCE

People are a region’s most important economic asset. If most working age people have jobs and are contributing to the local economy, then a region is more prosperous and competitive.

OVERALL TRENDS

Many regional areas are successfully engaging their local workforce in the economy and may even be seeking new workers to join the regions workforce and support expansion. Connected Lifestyle Regions surrounding major cities perform particularly well across all indicators of Labour Market Efficiency.

However the labour market story varies across regional Australia. Some have highly efficient labour markets, while others exhibit significant structural unemployment, poor workforce engagement and welfare dependency issues.

OUR GREATEST COMPETITIVE CHALLENGE – BRINGING WELFARE DEPENDENT COASTAL AREAS INTO THE ECONOMY

Many parts of regional Australia are struggling to include large portions of their working age population in the economy.

The average rate of welfare dependency for Local Government Areas (LGAs) in regional Australia is around 30 per cent. This is a significant loss of potential workforce. The average for LGAs in metropolitan areas is lower at 19 per cent.

The particularly poor rankings for many coastal areas reflect persistant structural issues within these labour markets. These LGAs will find it difficult to engage the local workforce and take advantage of new market opportunities as they emerge unless this trend is addressed.

KEY STATISTICS

60 PER CENT
OF THE 10 MOST EFFICIENT LABOUR MARKETS ARE SITUATED IN REGIONAL AUSTRALIA

35 REGIONAL LGAs HAVE MORE THAN 40% OF THE POPULATION DEPENDENT ON WELFARE

40 LGAs WITH THE HIGHEST PARTICIPATION RATES ARE ALL REGIONAL

20 REGIONAL LGAs MORE THAN HALF OF THEIR WORKFORCE ARE SKILLED WORKERS
## TOP 10
RANKED REGIONAL LGAs

1. Gnowangerup, WA  
The Heartlands
2. Conargo, NSW  
The Heartlands
3. Wudinna, SA  
The Heartlands
4. Wickepin, WA  
The Heartlands
5. Kojonup, WA  
The Heartlands
6. Carnamah, WA  
The Heartlands
7. Broomehill-Tambellup, WA  
The Heartlands
8. Goomalling, WA  
The Heartlands
9. Karoonda East Murray, SA  
The Heartlands
10. Longreach, QLD  
The Heartlands

## TOP 5
REGIONs

1. Wheatbelt, WA
2. Northern Territory - Northern, NT
3. Southern Inland, NSW
4. Mackay Isaac Whitsunday, QLD
5. Great Southern, WA

## HOW [IN]SIGHT MEASURES LABOUR MARKET EFFICIENCY

**Unemployment rate**
Low unemployment shows higher engagement of local workforce.

**Youth unemployment**
Low youth unemployment indicates the next generation of workers are being engaged.

**Long term unemployment**
Lower long term unemployment is better. The long term unemployed are more difficult to re-engage in the workforce.

**Participation rate**
A higher participation rate indicates a dynamic labour market.

**Welfare dependency**
Higher welfare dependency indicates structural problems in the local economy.

**Skilled labour**
High levels of skilled labour makes a region more adaptable and better able to respond to shifts in the economy.
Introduction

This report examines the trends within the Labour Market Efficiency theme in [In]Sight: Australia’s regional competitiveness index. Labour Market Efficiency is measured through current employment rates, utilisation of the potential workforce and skilled labour.

People are an economy’s core asset. They must be actively engaged in the economy for it to be at its most competitive. Labour Market Efficiency measures how well a region allocates and engages its people within the economy. Efficiency suggests a strong match between workforce capacity – its size and skills – and the needs of local firms. Maintaining efficiency over time requires workforce size and skills to adapt to changing needs.

Each local government area (LGA) is grouped into a regional type including Regional Cities, Connected Lifestyle Regions, Industry and Service Hubs and the Heartland Regions. Patterns across the regional areas in each state and the Northern Territory are also reviewed (see figure 3).¹

This report is one of 10 the Regional Australia Institute will release examining the patterns in each of the themes of [In]Sight.

Measuring Labour Market Efficiency in [In]Sight

Current employment measures:

- **Unemployment rate** (sourced from the Department of Employment June 2014 data): The percentage of labour force looking for work. Unemployment rates measure people seeking to work but not engaged, and indicate if a mismatch between the local labour force and business needs is occurring. This indicator has been updated for [In]Sight 2014. Low unemployment is ranked higher.

- **Youth unemployment** (sourced from ABS data): The percentage of persons aged 15-24 years in the labour market looking for work. Lower youth unemployment is ranked higher.

Utilisation of the potential labour force:

- **Participation rate** (sourced from Social Health Atlas of Australia, May 2014): The percentage of population over 15 years in the labour market. Higher levels of participation are ranked higher.

- **Long-term unemployment** (sourced from The Social Health Atlas, May 2014): The percentage of people receiving an unemployment benefit for longer than six months. Lower long-term unemployment rates are ranked higher.

- **Welfare dependency** (sourced from the Social Health Atlas of Australia, May 2014): The percentage of population using Government payments as their main source of income over the last two years. Lower dependence is ranked higher.
Long-term unemployment, low participation rates and welfare dependency are indicative of demand for labour that has not matched supply over an extended period. A labour market with one or more of these issues is unlikely to be responsive to changing conditions.

Availability of skilled workers:

- Skilled labour (sourced from ABS data): The percentage of workforce employed as managers and professionals. The presence of highly skilled professionals is essential to capture higher value economic opportunities and to build flexibility and innovation within the workforce. Higher levels of skilled labour are ranked higher.

Further information on this theme and the measurement and construction of the index can be accessed in the [In]Sight 2014 Users Guide.
Labour Market Efficiency and Competitiveness in Regional Australia

Many regional areas have highly efficient labour markets. The most efficient areas are likely to have a level of unmet demand or the capacity to expand if new labour becomes available.

Mapping the theme rankings emphasises the clustering of labour market issues in Australia (Figure 1). In general, Labour Market Efficiency is highest in rural areas including most in Queensland, New South Wales, Victoria, South Australia and Western Australia. Coastal LGAs not in close proximity to a major city (from Tasmania, to Gippsland in Victoria, along the east coast of New South Wales and beyond Brisbane) consistently have much less efficient labour markets.

Figure 1: Labour Market Efficiency by LGA in Australia
Source: [In]Sight: Australia’s regional competitiveness index
Many of these labour market issues are persistent rather than being the result of a recent shift in the demand for workers. Welfare dependency is one of the the most significant labour market challenges for regional Australia, especially in coastal areas (Figure 2). Welfare dependency in regional LGAs is 29.3 per cent on average compared to only 18.85 per cent in metropolitan LGAs.

Figure 2: Welfare dependency in east coast Australia
Source: [In]Sight: Australia’s regional competitiveness index

The unemployment and youth unemployment indicators are strengths for many parts of regional Australia. Weipa in Queensland and Roxby Downs in South Australia have the lowest current unemployment (0.7 per cent). Urana in New South Wales is the top ranked LGA for youth unemployment, with effectively 0 per cent youth unemployment. However, such low levels of unemployment may be due to population drift towards areas with greater employment opportunities. Furthermore, unemployment statistics do not account for people who are not looking for work or are working less than they would like.
Long term unemployment in regional LGAs is higher than metropolitan areas. On average 6.6 per cent of residents in regional LGAs have been receiving unemployment benefits for over six months, compared to three per cent in metropolitan LGAs.

Regional LGAs perform on average better in relation to participation rates than metropolitan areas. This result is primarily driven by a few areas in the Heartland Regions that have very high participation rates. The 45 LGAs with the highest participation rates are all regional - predominantly small agricultural areas in Western Australia. With participation rates above 85 per cent, these labour markets are extremely tight with little spare capacity and the potential to use more workers if they can be attracted to these regions.

Overall, regional Australia has higher levels of skilled workers. Regional LGAs average 33.1 per cent compared to 32.3 per cent on average in metropolitan LGAs. This indicates that they have a high presence of professionals and managers, though these tend to be farmers. Karratha and Northam in Western Australia are in the top five performers in this indicator.

However, 41 of the bottom 50 LGAs for levels of skilled workers are regional. Regions with lower levels of skilled workers in the local economy will need to identify how to increase local capacity, attract skilled workers or collaborate with firms and skilled workforce sources outside of the region to realise new economic opportunities.
Labour Market Efficiency in Different Types of Regions

The RAI identifies four distinct and important groups of regions that have different development pathways (Figure 3) including populous Regional Cities, Connected Lifestyle Regions nearby major cities and Australia's more remote Industry and Service Hubs and Heartland Regions.

**FOUNDATIONS OF REGIONAL AUSTRALIA**

![Diagram showing four types of regional communities](image)

Figure 3: Four types of regional communities
Source: RAI Talking Point: The Foundations of Regional Australia

Connected Lifestyle Regions are highly competitive across most Labour Market Efficiency indicators (Table 1). Although they have the lowest levels of workforce participation of any type of region, they also have the lowest levels of unemployment. This is probably due to the higher than usual age of the population, with early retirees or pensioners. These people may be [Super Boomers](https://www.theconversation.edu.au/most-popular-workplaces-for-super-boomers-20206) that could be encouraged back into the workforce or participate in the community in other ways.
Regional Cities perform relatively well across the Labour Market Efficiency theme. They have low levels of welfare dependency. Regional Cities are less competitive in terms of skilled labour and youth unemployment, but not by a large margin. Regional Cities may show lower proportions of professionals and managers because proportionately fewer people run their own businesses there. Still, they will need to attract more skilled professionals in order to become genuine economic hubs in the future.

Industry and Service Hubs perform well on average in terms of Labour Market Efficiency. While average participation is similar to the national levels, welfare dependency and long term unemployment levels are the best of the regional types. However, the unemployment rate is fairly high. In an economy where Fly-In, Fly-Out (FIFO) work patterns are becoming more prevalent, it is important that we consider how locals can effectively compete for jobs in the region’s key industries to better capture the benefits of regional economic activity.

Labour Market Efficiency is highly diverse in Australia’s Heartland Regions. While participation and skilled labour are strong on average, the Heartland Regions are the least competitive areas for unemployment and long term unemployment. This indicates that many Heartland Regions are struggling with entrenched labour market issues.
Labour Market Efficiency in Regional Australia: A State Perspective

Regional Victoria, New South Wales and Western Australia have the strongest Labour Market Efficiency levels (Table 2). The Northern Territory and Tasmania consistently rank lower across most of the indicators in Labour Market Efficiency.

Regional Victoria's performance is a surprising result given the on-going discussion of structural economic changes in that state. Regional Victoria has an unemployment rate substantially below other states with an LGA average of 5.1 per cent. This result is led by above average labour markets in parts of the western Victorian Heartland Regions and Connected Lifestyle Regions such as Surf Coast, ranked 142, and Queenscliffe, ranked 216. The results in Regional Cities are mixed. Greater Geelong for example has a below average Labour Market Efficiency ranking of 335.

Table 2: Labour market efficiency and competitiveness by State (regional LGA averages)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Regional NSW</th>
<th>Regional VIC</th>
<th>Regional QLD</th>
<th>Regional WA</th>
<th>Regional SA</th>
<th>TAS</th>
<th>NT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>Competitive</td>
<td>Least competitive</td>
<td>Less competitive</td>
<td>Competitive</td>
<td>Less competitive</td>
<td>Least competitive</td>
<td>Less competitive</td>
</tr>
<tr>
<td>Youth unemployment</td>
<td>Competitive</td>
<td>Most competitive</td>
<td>Less competitive</td>
<td>Most competitive</td>
<td>Highly competitive</td>
<td>Competitive</td>
<td>Least competitive</td>
</tr>
<tr>
<td>Long term unemployment</td>
<td>Highly competitive</td>
<td>Most competitive</td>
<td>Less competitive</td>
<td>Highly competitive</td>
<td>Competitive</td>
<td>Less competitive</td>
<td>Least competitive</td>
</tr>
<tr>
<td>Participation</td>
<td>Competitive</td>
<td>Competitive</td>
<td>Highly competitive</td>
<td>Most competitive</td>
<td>Competitive</td>
<td>Less competitive</td>
<td>Least competitive</td>
</tr>
<tr>
<td>Welfare dependency</td>
<td>Competitive</td>
<td>Highly competitive</td>
<td>Less competitive</td>
<td>Most competitive</td>
<td>Competitive</td>
<td>Least competitive</td>
<td>Highly competitive</td>
</tr>
<tr>
<td>Skilled labour</td>
<td>Highly competitive</td>
<td>Highly competitive</td>
<td>Less competitive</td>
<td>Most competitive</td>
<td>Competitive</td>
<td>Less competitive</td>
<td>Least competitive</td>
</tr>
</tbody>
</table>

The most populated areas of the Northern Territory actually perform relatively well with Darwin and Alice Springs amongst the top 100 most competitive LGAs in the nation. At this stage it appears that people in the more remote parts of the Northern Territory have not found a way to tap into the resources boom.
Making the Most of [In]Sight

The indicators measuring Labour Market Efficiency in [In]Sight allow regions to better understand how they are engaging their potential workforce compared to other places around Australia.

To learn more about how people are being engaged in regional Australia to support our nation’s competitiveness see the RAI’s two other papers in the [In]Sights for Competitive Regions series:

- **Demography**: find out more about how a region’s population size and dynamics provide sources of competitive advantage.
- **Human Capital**: find out if regional Australia is ‘work-ready’ and how we can ensure that the next generation will be able to grow Australia in the future ahead.
- **Technological Readiness**: find out if your area has the infrastructure and resources it needs to develop in the digital age.

These publications and the 624 [In]Sight competitiveness profiles are available for review at www.regionalaustralia.org.au/insight.

Regional comparisons, data downloads and expert advice from the RAI are also available for anyone interested in putting [In]Sight to work.
Appendix: Labour Market Efficiency: Top Performers in Regional Australia

### Top performing Regional City LGAs

<table>
<thead>
<tr>
<th>LGA</th>
<th>Rank</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darwin</td>
<td>63</td>
<td>Northern Territory</td>
</tr>
<tr>
<td>Hobart</td>
<td>99</td>
<td>Tasmania</td>
</tr>
<tr>
<td>Litchfield</td>
<td>158</td>
<td>Northern Territory</td>
</tr>
<tr>
<td>Palmerston</td>
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<td>Northern Territory</td>
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<tr>
<td>Mackay</td>
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<td>Queensland</td>
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<tr>
<td>Gladstone</td>
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<td>Queensland</td>
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<td>Capel</td>
<td>198</td>
<td>Queensland</td>
</tr>
<tr>
<td>Harvey</td>
<td>227</td>
<td>Queensland</td>
</tr>
<tr>
<td>Townsville</td>
<td>228</td>
<td>Queensland</td>
</tr>
<tr>
<td>Wagga Wagga</td>
<td>231</td>
<td>New South Wales</td>
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</table>

### Top performing Connected Lifestyle Regions

<table>
<thead>
<tr>
<th>LGA</th>
<th>Rank</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookton</td>
<td>27</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Palerang</td>
<td>60</td>
<td>New South Wales</td>
</tr>
<tr>
<td>Yass Valley</td>
<td>68</td>
<td>New South Wales</td>
</tr>
<tr>
<td>Queanbeyan</td>
<td>73</td>
<td>New South Wales</td>
</tr>
<tr>
<td>Macedon Ranges</td>
<td>127</td>
<td>Victoria</td>
</tr>
<tr>
<td>Surf Coast</td>
<td>142</td>
<td>Victoria</td>
</tr>
<tr>
<td>Clare and Gilbert Valleys</td>
<td>159</td>
<td>South Australia</td>
</tr>
<tr>
<td>Indigo</td>
<td>167</td>
<td>Victoria</td>
</tr>
<tr>
<td>Barossa</td>
<td>178</td>
<td>South Australia</td>
</tr>
<tr>
<td>Kiama</td>
<td>185</td>
<td>New South Wales</td>
</tr>
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</table>

### Top performing Industry and Service Hubs

<table>
<thead>
<tr>
<th>LGA</th>
<th>Rank</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice Springs</td>
<td>65</td>
<td>Northern Territory</td>
</tr>
<tr>
<td>Central Highlands</td>
<td>80</td>
<td>Queensland</td>
</tr>
<tr>
<td>South Gippsland</td>
<td>131</td>
<td>Victoria</td>
</tr>
<tr>
<td>Kalgoorlie/Boulder</td>
<td>161</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Horsham</td>
<td>162</td>
<td>Victoria</td>
</tr>
<tr>
<td>Mount Isa</td>
<td>197</td>
<td>Queensland</td>
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<tr>
<td>Wellington</td>
<td>204</td>
<td>Victoria</td>
</tr>
<tr>
<td>Albany</td>
<td>212</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Greater Geraldton</td>
<td>291</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Mildura</td>
<td>325</td>
<td>Victoria</td>
</tr>
</tbody>
</table>
## Top performing Heartland Regions

<table>
<thead>
<tr>
<th>LGA</th>
<th>Rank</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gnowangerup</td>
<td>1</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Conargo</td>
<td>2</td>
<td>New South Wales</td>
</tr>
<tr>
<td>Wudinna</td>
<td>5</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Wickepin</td>
<td>6</td>
<td>South Australia</td>
</tr>
<tr>
<td>Kojonup</td>
<td>7</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Carnamah</td>
<td>8</td>
<td>Western Australia</td>
</tr>
<tr>
<td>Broomehall-Tumblup</td>
<td>17</td>
<td>Western Australia</td>
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<td>Goomalling</td>
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<td>Western Australia</td>
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<tr>
<td>Karoonda East Murray</td>
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<td>South Australia</td>
</tr>
<tr>
<td>Longreach</td>
<td>25</td>
<td>Queensland</td>
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</tbody>
</table>
About Us

Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia - for the benefit of all Australians.

To find out more about the RAI contact us at info@regionalaustralia.org.au or visit www.regionalaustralia.org.au

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End Notes

1 All patterns are explored based on the averages of the regional LGAs within the given regional type or state. This is to explore the patterns within the given area rather than the overall result.