

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006-07

Melbourne — 5 July 2007

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Ms J. Allan, Minister for Employment and Youth Affairs;
Mr Y. Blacher, secretary;
Mr S. Ward, director, employment programs; and
Mr S. Gregory, chief financial officer, Department for Victorian Communities.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2006-07 budget estimates for the portfolios of employment and youth affairs. Welcome to the Honourable Jacinta Allan, Minister for Employment and Youth Affairs; Mr Yehudi Blacher, secretary of the Department for Victorian Communities; Mr Stephen Ward, director, employment programs; and Mr Stephen Gregory, chief financial officer, Department for Victorian Communities; departmental officers, members of the public and media. In accordance with guidelines for public hearings I remind members of the public that they cannot participate in committee proceedings.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence today is being recorded. Witnesses will be provided with proof versions of their transcript for verification by email. You have two working days to return those. Could all mobile phones please be turned off.

Minister, I ask you for a brief presentation on the more complex financial and performance information that relates to the budget estimates for the employment sector.

Ms ALLAN — All committee members have been provided with a copy of the presentation I will be briefly presenting this afternoon.

Slides shown.

Ms ALLAN — It is a good opportunity, as you have indicated, to provide an overview of the achievements in the employment portfolio. I am very pleased to report to the committee that there has been a significant year of achievements in that employment portfolio, and I guess the most significant achievement and one that I briefed the committee on back in March of this year was the introduction of the Workforce Participation Partnerships program, which has come out of refocusing our employment programs, considering the context here in Victoria of low unemployment rates and a strong economy, while at the same time some people would like to get into work but cannot get into work because they have a range of barriers. As the committee will remember, this is a program that is committed to matching people who want to get into work with the skills and the labour demands across the state.

Also we have continued on the strong growth in our skilled migration program, and it is certainly going from strength to strength. Victoria is really leading the nation with this program. Now we have 26.4 per cent of Australia's share of the skilled migration intake which has, of course, lifted from around 19 per cent when we came to government seven years ago. We had a target of 25 per cent, so the committee can see we have achieved and exceeded our target.

A lot of that has been due to the Live In Victoria web site, which has been a very important tool in attracting more skilled migrants to the state. We are seeing over 720 000 unique visitors. Unique visitors are those that are counted as visits, not the number of page impressions. That is something I think we talked about last year. So it is a real measure of the number of people visiting the Live In Victoria web site.

In the last financial year we have seen sponsorship through the program of 1200 business migrants who have made a quite significant contribution to investment in the Victorian economy of more than \$550 million and have realised the creation of 2900 jobs.

Looking at the longer term, we are doing a couple of things to look at some of the longer term challenges around the ageing of the population, including ongoing skill and labour needs in different parts of the state. The first is the participation in the regional skills shortage survey project, which is a national first. We have been undertaking these quite detailed surveys in 11 regions right across the state. It is obviously going to be an important planning tool for the government along with the work force participation task force report, which I will talk a little bit about during the course of the hearing.

You can see the charts tell the story of where we have been over the last seven years. The red line on the chart on the left shows how unemployment has been trending downwards over the last seven years, and of course we are at historic lows of unemployment in Victoria of 5 per cent; it has not been that low since April 1990.

On the left-hand chart the blue line trending upwards is the number of people employed in Victoria. Over the last seven years we have seen the creation of more than 320 000 jobs here in Victoria. It is an increase of 14.6 per cent over that period, and importantly we are seeing very strong growth in provincial Victoria of over 90 000 jobs over that same period. The blue line in the right-hand chart shows how the participation rate, as the unemployment rate has gone down, is also going in the right direction. As at May 2006, participation in Victoria is at 64.3 per cent.

The next chart highlights some, as I said, of the challenges that we have before us. The key challenge is of course the decline in Victoria's working age population. This is a key factor in the work force participation task force report. I am gathering, Chair, that we might have to touch on that a little bit more during the course of the questions, but to be very brief on that chart, as you can see it shows the drop in the number of people entering the labour market over the next 20 years.

To quickly capture that, we will see that 5800 people will reach working age each year by 2035, which is down from the current average of 33 000 people. Also participation rates which is in the chart on the right will drop down. I was going to touch on a bit more about the Workforce Participation Partnerships, but we might leave that. If the committee has some questions, I will be more than happy to update the committee on how about program is going. Likewise we might also leave that one for a moment and might talk a little bit further during the hearing about how we are planning for the future around some of these challenges.

The CHAIR — Do you want your overheads to be included on the web site with the transcript?

Ms ALLAN — If the committee wants to, yes, that is fine. I think those graphs are quite useful in terms of information.

The CHAIR — I know one of the overheads that you did not get to was about skilled and businesses migration. So could I refer to that as my first question and could you advise what progress has been made? I would appreciate you giving us as many facts and figures to assist in writing our report.

Ms ALLAN — Certainly, with that in mind I might start. We have some information from another chart to hand out. There are only so many charts you can put in a presentation. I will come to this in a moment, but as I said in the introductory comments, our skilled migration program has achieved some significant results and is going from strength to strength.

In the financial year 2004–05 we have seen 13 733 skilled migrants choose Victoria as their home to live and work. Just comparing that to the figures of the 1998–99 financial year, the number was just over 7000. So we have seen a 93 per cent increase in the number of skilled migrants coming to Victoria over that past six-year period.

I mentioned in the presentation as well how business migration is also booming. This has been another success story of a skilled migration program. These are figures as at to 16 June — we are just finalising the last couple of weeks of June at the moment. In 2005–06 Victoria sponsored 1125 business migrants which represents an 80 per cent increase in the same period in the previous year. It is interesting when you look at this. I mentioned they contribute over \$550 million to the Victorian economy and will create over 2900 jobs.

Interestingly — I think there was a report in today's *Herald Sun* about migrants coming to Victoria — China is a key source country for business migrants. So we have our skilled migration program, a business migration program and within the business migration program, China is a key source country with 81 per cent of all our business migrants coming from China. I think obviously we have read and heard a lot about the importance China is going to play in the international economy. It is a good sign of strengthening the Victorian economy that many of them are choosing to come to Victoria to set up businesses, employ people and invest in our local community.

We are wanting to increase those numbers coming from China and also from countries like South Korea. We are doing that through the Live in Victoria web site, through participation at overseas expos and even things like the promotional material that we provide, like printed materials. We have the *Victoria — At a Glance* publication. We are having that publication translated into Chinese and Korean as well just to help provide that information.

I will briefly talk about the slide that you can see. This shows how we have seen the numbers of people who are coming to Victoria and the numbers of visitors to our Live in Victoria web site. It is pretty self-explanatory for the committee, so I am happy probably just to leave it there.

The CHAIR — Do you want that slide on the web site as well?

Ms ALLAN — Yes, that is fine.

The CHAIR — We will do that. Thank you.

Mr CLARK — Minister, as you have referred to it, Victoria's unemployment rate has fallen substantially over recent times, as of course has the national unemployment rate — and of course we are very fortunate to have a strong and effective national government. However, it is disturbing that for the last two years Victoria's unemployment rate has been higher than the national average, whereas traditionally we have been at or below the national average. What action do you have planned to reverse that situation and ensure our unemployment rate in Victoria is below or at the national unemployment rate?

Ms ALLAN — Sure. Isn't it terrific that we are able to talk about unemployment in an environment where we are seeing record low unemployment rates? I think you are being very kind to your federal colleagues in acknowledging the national economy and the strength of the national economy, but I think when you compare Victoria's results to other states, and particularly probably in this case that of New South Wales, you will see that because of the policies and programs that we have put in place here in Victoria we have been able to continue the trend downwards in Victoria's unemployment rate.

This was not a question that came from the opposition in committee a couple of years ago, when Victoria had over that period been for a significant number of months below the national average — I think around 44 or 48 months.

Over the last couple of years, as I think as you have indicated, our rate has been above the national rate, but only a little bit above the national rate — I think the national rate at the moment is 4.9 per cent; we are at 5 per cent. That is a really strong sign of the strength of the Victorian economy. You asked a question about what we are going to do to continue to see the reduction in unemployment. Things like the Workforce Participation Partnerships are part of that — are part of getting people with barriers to entering the labour market into employment.

The budget that the Treasurer handed down at the end of May had, I think, the \$10 billion infrastructure investment program, and if we know that there is one thing that stimulates the economy and increases jobs, it is investment in infrastructure. That has been a very strong policy focus of this government over the last six years, and it will certainly continue to be. This budget was a record infrastructure investment budget. It will serve us very well over the coming years in terms of infrastructure for the state, but also you will see it will serve us very well in terms of providing employment for Victorians.

You only have to compare it — and you made reference to the national economy. During the period 1996–1999, when we had a coalition government federally and a coalition government in Victoria, we saw double-digit unemployment rates in Victoria during that time — —

Mr CLARK — And nationally.

Ms ALLAN — And we have had a dramatic decrease.

Mr CLARK — And nationally, which — —

Ms ALLAN — A dramatic decrease under the Bracks government's term in the unemployment rate.

Mr CLARK — Which at a state and federal level the coalition has had to fix up.

Ms ALLAN — I think we have to acknowledge that yes, the federal economy is going very strongly. Paul Keating has a view about that and the contribution that federal Labor has made to the growth in the federal economy. But you cannot deny that the policies and programs, particularly in regional Victoria, where we have seen 90 000 jobs created in regional Victoria over the last six and a half years, are remarkable — again when you compare that to the negligible growth in jobs that was over the same period in time under the previous government when country Victoria was referred to as the toenails of the state. We have turned that around.

Mr CLARK — Stop reinventing history.

Ms ALLAN — No, it was the former Premier who called country Victoria the toenails of the state, not our Premier.

Mr CLARK — No, he didn't.

Ms ALLAN — We are really going to continue with that priority on investment in infrastructure and creating a strong economy.

Mr MERLINO — Minister, I refer you to budget paper 3 at page 263 and the new measure of Workforce Participation Partnerships. I understand it is too early to report against that measure, but you have concluded in your presentation that it has been a positive start to that program, so could you inform the committee of the progress to date in terms of getting this new program implemented?

Ms ALLAN — Sure, and I am really pleased to have the opportunity because I know we really just put it through in the presentation to report back to the committee on the Workforce Participation Partnerships program and, as I said, the committee will remember back in March we went through some of the reasons why we chose to refocus our employment programs. At the time it was right to do it: low unemployment, low unemployment in Victoria, but also some of those challenges around. We know there are employers out there who are crying out for people with various skill and labour requirements to fill the jobs and we know there are people in our community who, no matter how low the unemployment rate may get, still have a range of barriers to getting into the labour market. That is what this program is all about and we really are going to be focusing on those people who for a range of reasons are not in the labour market, whether it is because of their child-care needs, or they might have a disability or might come from a different part of the state where the jobs are not available.

One of the great strengths of this program that we have been able to build on since I last spoke to the committee is the connections with other parts of government, whether it is things like the very successful Parents Returning to Work program or whether it is working in with our neighbourhood renewal areas and working with people in those communities. It has been a very strong program and in terms of reporting back it has been interesting to see that there is such strong interest in this program, and lots of employers and industries are involved in every one of the projects that have been approved so far. Even the Commonwealth government is doing a bit of copying of this type of approach and looking at doing a refocus of some of its employment programs, which is very pleasing.

As at today, I have approved 51 projects. We have previously announced 37 and I am pleased to be able to advise the committee that we can announce today the further funding of 14 projects that brings to a total of 1440 job seekers that have been assisted under this program. There was an interesting article in the *Herald Sun* last week that provided a great example of the difference that just one of these projects was making and that was — the Chair is very familiar with this organisation — VICSEG, the Victorian Cooperative on Children's Services for Ethnic Groups, and it has been funded to provide a program to work with Somali refugees to get them skilled to work in the aged care area, because we know in the aged care/child care areas there are shortages. This is providing skill and training opportunities to a group of people who clearly have a range of different barriers as newly arrived migrants, refugees; they need language support as well as a range of training and mentoring support.

A quote from VICSEG that was in the article last week described the program as a wonderful matching of an industry need to a community with a high need for work. I think that was a great example. Another great example is the Electrical Trades Union partnering up with indigenous communities in Melbourne to provide trade apprenticeships for 15 indigenous people in and across Melbourne. I could go on — there are 51 projects, 51 great examples of the difference that it is making to a whole range of people in Victoria.

Mr RICH-PHILLIPS — I would like to ask you about the funding of the partnerships program and I understand the programs that were replaced were funded in the 2003–04 budget for a total of \$30 million for the 2005–06 year and the 2006–07 year and funding for the new programs over that period is \$24 million; so a difference of \$6 million. Can you tell the committee where that \$6 million has gone? Has it gone into other education, are there other employment programs?

Ms ALLAN — You are certainly right, the Jobs for Victoria that was outlined in the 2003–04 budget indicated that for the 2005–06 and 2006–07 financial years there was \$30 million for the Community Jobs program, for Jobs For Young People and the Community Regional Industry Skills Program (CRISP) that was to run for those two financial years, and WPP has been funded at just over \$24 million.

The remaining funding: \$2.8 million of that remaining funding for CRISP has been transferred across to Regional Development Victoria, and the committee might remember that the CRISP program when it was a \$10 million program was detailed in the 2003–04 budget. There was \$5 million of that located in employment programs, \$5 million was located in the regional development portfolio, so \$2.8 million has been transferred across to CRISP.

There was \$1.75 million that was needed to spend on commitments under the CRISP program that were made in 2004–05 that were not going to be fully expended until the 2005–06 and 2006–07 financial years. Similarly for the Community Jobs Program there was \$0.74 million that was committed in 2004–05 that was not going to be fully expended until 2005–06. And there was \$0.11 million — \$110 000 — is a carryover similarly for Jobs For Young People where we have made commitments in that financial year but all the funding was not going to be finalised until 2005–06. That should have add up to \$30 million.

Mr SOMYUREK — Minister, can you answer a question about employment programs, please? Work force participation is a big problem not only in Victoria but for the entire nation. We have an ageing population and we seem to have a deficit of skills, which leads to a problem of work force participation. I notice here on budget paper 3 at page 263 under the employment programs output it seems to have some pretty ambitious aims with regard to the employment programs. Can you please advise how employment programs are working to boost participation in Victoria?

Ms ALLAN — Certainly. I touched on this earlier as part of the presentation. We see not just providing employment programs to help people get into the labour market but we also see a focus on introducing measures and taking steps to lift work force participation. It is a key priority both in my portfolio and across government and across other government programs we fund. The Parents Returning to Work program is a great example of where we have provided some targeted assistance to help parents — in that case mostly women — back into the labour market because we know there is a lot that can be gained for the economy if we can lift the number of women of child-bearing age participating in the labour market. Doing things like increasing skills across the board through the investment in education and training, providing support for child care and health is all part of that.

I mentioned those figures before of 5800 people who will reach working age in 2035, which is down from the current average of 33 000. You can see on that statistic alone — and there are any number of statistics we could provide that tell us the same story — that our work force is getting older and our pool of young people coming into the work force is declining and we need to take steps to plan for that. We know that work force participation is one of the key threats to the strength of our economy.

Obviously the Commonwealth government has a key role to play in this but so do the states, and we have seen that through the approach that has been led by Victoria through the national reform initiative and the approach that has been taken through COAG. We also have taken steps here in Victoria to put in place actions that we are a responsible for. A key part of that — and I am happy to leave a copy of this for the committee's information — was the commissioning of the work force participation task force that was chaired by John Button. We set that up in March 2005. Unions and communities and local government and industry people were all represented on that committee. They released a report in December 2005 that identified four key areas that we needed to work on here in Victoria around building the capacity of the work force, increasing flexible working arrangements, addressing barriers and disincentives to work, and raising awareness and facilitating change.

One of the recommendations that came out of this was for Victoria to develop its own work force participation strategy, and that is a recommendation that we have since picked up and are now doing a lot of work to put in place. As I said, those areas we have responsibility for — particularly and obviously in education and health — are two key areas where we can make a difference. Of course we have to continue to work very hard with the Commonwealth in those areas and a little bit outside our areas of responsibility, such as taxation reform and a broader range of investments in education, particularly in the higher education area. So we are supporting the work that is being led out of the Premier's department on the national reform agenda and the work force participation strategy. As well as the task force providing a range of information and statistics that are relevant to Victoria, it also provides us with a very clear picture going forward of some of the actions we need to take to continue to maximise the number of people in employment and in a job.

The CHAIR — Mr Clark has the last question in this portfolio.

Mr CLARK — Minister, I refer you to page 264 of budget paper 3 which shows the costs for the Employment Programs output group. Could you tell the committee, of the \$29.2 million allocated for the 2006–07 year, how much is actually expected to be spent in employment grants, and can you give the committee either now or on notice a breakdown of the amounts allocated for each grant program/

Ms ALLAN — Sure; you want essentially a breakdown of the \$29.2 million?

Mr CLARK — Yes, basically how much is going to go out in grants as distinct from being used internally in the department and what is the breakdown of the grant outlays by program.

Ms ALLAN — I might have to come back to some of that on notice. I am just trying to find it: \$14.3 million of the \$29.2 million on Workforce Participation Partnerships.

Mr WARD — That is correct.

Ms ALLAN — We got some funding out of the Provincial Victoria statement — \$3.3 million. Of that \$29.2 million, \$1.1 million is going on a project that has been started in Ballarat and the north east. We have mentioned the funding that has gone into Workforce Participation Partnerships.

There is some funding for the YES program, which is one of our programs that is ongoing, but we might get back to the committee with more detail.

The CHAIR — It would be simpler to do that.

Minister, I appreciate your and your departmental advisers' advice to the committee on your employment portfolio.

Witnesses withdrew.