

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 7 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

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Business Support Officer: Ms J. Nathan

Witnesses

Ms J. Allan, Minister for Skills, Education Services and Employment;
Mr Y. Blacher, secretary;
Ms P. Digby, executive director, local government, employment and adult education;
Mr S. Ward, director, employment programs; and
Mr S. Gregory, chief financial officer, Department for Victorian Communities.

The CHAIR — I now welcome the minister; Mr Yehudi Blacher, Secretary of the Department for Victorian Communities; Ms Prue Digby, executive director, local government, employment and adult education — that is a mixture; Mr Stephen Ward, director, employment programs; and Mr Stephen Gregory, chief financial officer, Department for Victorian Communities. We have half an hour for this. I ask the minister to make a presentation of no more than five minutes on the more complex financial and performance information relating to the portfolio.

Ms ALLAN — Thank you very much, Chair. I will be pretty brief. You have heard me go through my presentations now a couple of times. They are reasonably consistent because it is reasonably consistent, positive news for both the Victorian economy and this year's budget.

Overheads shown.

Ms ALLAN — As you can see from the first slide, since coming to office in 1999 we have seen the Victorian economy and, more particularly, the labour market go from strength to strength. You can see in the chart on the presentation — and everyone has a copy of the presentation — the unemployment rate trending down; the red line is trending down. That is the statewide figure and also — importantly for Dr Sykes and me, in country Victoria — in provincial Victoria the unemployment rate has decreased. Obviously that is a result of the additional 380 000 jobs that have been created across Victoria and particularly the 120 000 jobs in provincial Victoria. I think these figures show that the Victorian economy is going in the right direction whether you are in country Victoria or in metropolitan Melbourne.

If you look at the foundations and the areas that we have focused on as the government, whether it is in that investment in infrastructure — I think this year's budget going forward has an average of \$3.5 billion investment in infrastructure and investment in education and training, which I have gone through in my previous two presentations — our focus is on attracting more people to Victoria, more migrants to Victoria. That is really seeing those strong jobs figures.

In terms of where the employment portfolio sits, we have some particular roles. Since 1999 more broadly, our Jobs for Victoria package, which is a range of different employment programs and initiatives, we have seen more than 7200 people assisted into employment. We have seen Victoria's share of the skilled migration intake increase quite significantly from under 20 per cent when we first came to office to over 25 per cent in terms of the latest figure. Also, we are looking to the future and the work we have done over the last couple of years both in establishing the workforce participation task force, receiving their report, and then looking at implementing a strategy into the future.

For last financial year, just very briefly, you can see there under the Work Force Participation Partnerships program, there has been over 1000 people assisted into employment. Given that we are at a time when, as I said before, the labour market is pretty tight — we have low unemployment but we also have employers seeking particularly skilled people — this is a partnership program that very much matches those people who are looking to head into work into the areas where people are looking for people with particular skills and qualifications. Over the last 12 months we have continued our work in increasing Victoria's share of Australia's skilled and business migration intake. What is going particularly strongly is our Live in Victoria website, which is a very important tool as part of our skilled migration strategy.

I think this is a very important set of figures for us to consider. We often focus on the skilled migration area but the business migration is an important part of the work we do. In this financial year to date we have seen provisional sponsorship; Victoria has supported more than 1300 business migrants who will contribute over \$600 million in investment and in turn create more than 2900 jobs. Those are very strong figures in investment in Victoria. And we did work in regional areas — across 11 regional areas — on our regional skills shortages survey project to help us to get that detailed set of data on skill shortages right across the state.

This year's budget, just very briefly: more funds to continue the good work in skilled migration, including two overseas postings, in the UK and India, two very important key markets. No, I am not putting my hand up for the job but Richard, do you want to?

Mr DALLA-RIVA — Yes.

Ms ALLAN — You were just looking interested all of a sudden.

Mr DALLA-RIVA — You were looking at me, that is all. I do not know which one I will take!

Ms ALLAN — You were looking interested. We have additional funds to continue the Workforce Participation Partnerships program; two new programs helping particular groups of workers — people get into the workplace with mature-age workers and people with a disability; and also support for the Connectus program that helps young people at risk to re-engage with education and training. I might stop there and see if there are any questions from the committee.

The CHAIR — Thank you, Minister. I am sure there will be many questions so I will ask Ms Graley to start off.

Ms GRALEY — As you can see, most MPs are very interested in disability issues. You had the screen up there and talked about the new disability trainee scheme. I am just wondering if you could explain it and outline what it will achieve.

Ms ALLAN — Certainly. As I said before, we know that no matter how low the unemployment rate does get there are particular people in our community who face a range of different barriers to getting into the workforce. That is why we are focusing in on assisting people with a disability in this program. Just briefly, I should just mention that last year the government established the Office for Disability, and also passed the disability act in 2006, which requires that we have the development of disability action plans by all departments, statutory authorities and corporations in place from 1 July this year.

A key element of those plans is also about the removal of barriers to employment for people with a disability. In addition to this specific program you are also seeing work being undertaken across government. Certainly under this program we are seeing \$1.6 million being provided to assist graduates with a disability to find and retain employment. We will see 200 positions become available over four years for people with a disability who have completed a post-secondary qualification and need some assistance in finding employment.

This program has been informed by our workforce participation partnerships (WPP) program, which had job seekers with a disability as one of its key target groups. Through WPP, as at the end of March this year, we have seen \$7 million worth of projects that have helped a further 275 people with a disability make the transition into employment. As you can imagine, it is a new program. It has just come on line in this year's budget, so further guidelines will be developed. In future I would be happy to report back to the committee on how that program is going.

The CHAIR — Terrific. I might follow up a program which is current, namely Workforce Participation Partnerships, which you will find on the same page — 337 — but it is continuing on this year with an extra 2.5 million. How are you going to build on the past and going into the future with this program?

Ms ALLAN — This Workforce Participation Partnerships program has been very successful. The PAEC staff might remember — there are all new PAEC members — back in March of last year when we made significant changes in our employment programs I took the opportunity to brief PAEC on those changes, which were about refocusing our suite of employment programs so it is very much targeted in on helping those people, as I said, with a range of different barriers to finding employment but at the same time understanding what the local industry and skill needs were so we can make that match.

Since WPP has been in place we have seen over 1000 people be placed in sustainable employment. I mention 'sustainable employment' because one of the key criteria for funding under this program is that a certain proportion of funding, I think — Stephen, is it 30 per cent or 35 per cent?

Mr WARD — Forty per cent.

Ms ALLAN — Forty per cent is provided after successful completion of 16 weeks employment. So it is very much weighted towards that sustainable employment outcome.

In this year's budget, alongside a number of other new initiatives that have been introduced by the government, we have provided an additional \$2.5 million to continue this very positive program, because, as I said, we have to continue to support people with a barrier to employment. We have to support them in a very positive way, which is about putting partnerships in place at the local community level, bringing the training providers, bringing the

community organisations that support them, bringing industry and business to the table and putting that partnership in place, which I must say is an interesting contrast to the way the federal government does their unemployment workforce arrangements, which are unfortunately not about partnership, they seem to be about punishing people who are not in employment.

The CHAIR — I assume beyond that is part of this review you are doing overall as well?

Ms ALLAN — Yes.

Mr WELLS — Minister, you use the unemployment rate seasonally adjusted — the ABS — so that would show that over the past three years the unemployment rate has been consistently higher in Victoria than the national average; would that be true?

Ms ALLAN — Well, it has been consistently above. I think when you say ‘higher’ you are making it sound like it is dramatically higher. I think the chart that was up on the screen just before shows that it is quite close to the national rate. At the moment Victoria is at 4.9 per cent and the Australian rate is 4.5 per cent, so it is still quite low. We are talking here about low unemployment rates — very positive outcomes for Victoria.

Mr WELLS — So it is higher than the national average?

Ms ALLAN — But it is a lot lower than the 6.6 per cent when we came to office back in 1999.

Mr WELLS — Which was lower than the national average — the 6.6 per cent?

Ms ALLAN — Yes.

Mr WELLS — Would you agree then that the 6.6 per cent that you just referred to was actually below the national average?

Ms ALLAN — At the time?

Mr WELLS — Yes.

Ms ALLAN — Back in 1999?

Mr WELLS — Yes. It was below the national average.

Ms ALLAN — Okay.

Mr WELLS — All right. So after the last three years we have been consistently higher than the national average in Victoria, which is disappointing. You mentioned the Workforce Participation Partnerships program and the \$24 million over the two years. To date, how many partnerships have been funded and how much funding has been allocated to this Workforce Participation Partnerships program?

Ms ALLAN — As I mentioned before, 1000 people have been helped into employment. The overall target for the program is 2000 people in total. The program is still going on because there are projects under way — as at the end of March, 89 projects have been funded with a total funding of \$24.6 million — and as I said, already 1000 people have been helped into employment, and I think we are well on our way to exceeding the target of 2000 people.

There are some very strong examples of where this project has made a real difference, whether it has been helping migrants find employment or helping people in country Victoria find employment. It has been quite a successful program, and, as I said, it has very much been used as a basis to inform our new programs, such as Experience Counts and the disability trainee program that we were just talking about.

Mr WELLS — It is \$26.4 million for 89 projects? So \$24.6 million has been spent on 89 projects?

Ms ALLAN — Yes, and that has realised over 6100 job seekers. We have already seen 1000 go into a job; our target was 2000, and 6100 have been registered with our WPP projects.

Mr WELLS — So this slide that says 2.5 million for 2007–08, that is in addition to the 24.6 ?

Ms ALLAN — Yes. Well, the 24 has been expended — sorry, it has not all been expended, it has been committed, because as I said 40 per cent of the payment is on successful completion of 16 weeks employment.

Mr WELLS — The question was: how much has actually been spent now on this program?

Ms ALLAN — We have spent 14.3, but we have committed 24.6. As I said, I think it is quite important that we emphasise that the weighting of this program is 40 per cent on successful completion of 16 weeks employment. That is seen as a sustainable employment outcome. It is not a notional figure of, say, 10 per cent, which historically other employment programs have provided. It is very much putting a heavier weighting at that end so that we can get people to focus on the sustainable outcome. It is not about just getting people to the front door of the job, it is about getting them to stay on — and stay on for 16 weeks.

Ms MUNT — I refer the minister to page 9 of budget paper 3 and in particular the heading ‘Workforce skills and training’ where it talks about the policy of ‘*Maintaining the Advantage — Skilled Victorians*’. I am interested in how the overall strategy of the workforce participation will contribute to the government’s skills and training agenda.

Ms ALLAN — In terms of our commitment to a workforce participation strategy?

Ms MUNT — That is right — the overall workforce participation strategy as part of that policy.

Ms ALLAN — I mentioned in the presentation earlier that we established a workforce participation task force back at the start of 2005. That was chaired by John Button and had a number of industry and local government community organisations represented on it. They presented me with a report at the end of 2005 and a range of recommendations; a couple of the recommendations influenced the thinking behind the program, such as Experience Counts and the disability trainee one as well, but also the government has made that commitment to develop a whole-of-government workforce participation strategy.

To assist the committee’s consideration, I have another chart, the ‘Projected Growth in Victoria’s Working Age Population’. I am not sure who has the handout, but if that could be handed around. I think this is a pretty clear way of showing why we need a workforce participation strategy because it shows quite dramatically the decline in the projected growth of Victoria’s working age population from today through to 2035. If you look around at the moment, the working age population is expected to increase by 35 000 per year.

When we get to 2035, I think you see it drop off to about 5000 people. That is why we have to do everything we possibly can to maximise the workforce participation of women, of people with a disability, of mature age workers, or people from culturally and linguistically diverse backgrounds. That came through very strongly in the report from the John Button workforce participation task force report and is also why the government has picked it up, because we want to continue to drive Victoria’s economic productivity, and we want to continue to drive our prosperity.

We know to do that we have to get more people into the workforce, and it gets harder and harder the lower the unemployment rate goes down, which is a great thing — 4.9 is a very strong unemployment rate for Victoria, but we have to continue to work very hard to increase workforce participation across a range of different areas.

Dr SYKES — Minister, can I take you back to the graph headed ‘Victoria Labour Market Continuing Strong Performance’. I would like you to perhaps offer some explanation in relation to a couple of things: first of all, the quite violent fluctuation of the provincial labour market in comparison with the Victorian average line, and also in particular could you offer some explanation in relation to the unemployment figure coming down as we head into the tough end of the 1-in-100 year drought?

I guess some things I would like you to comment upon are the figures for the provincial cities of Geelong, Bendigo and Ballarat versus rural; and secondly, whether in assessing employment, in addition to the government initiatives such as the catchment management authority-type work, which has been much appreciated out there, would you by chance be counting feeding stock and carting water as forms of employment that have pulled the figure down?

Ms ALLAN — In terms of the breakdown — and I think I know where you are going with this, because we have seen very strong employment growth in the labour market in our provincial centres, you have seen the population growth figures as well where the latest data shows the four fastest-growing inland cities in Australia are

in country Victoria — Bendigo, Ballarat, Mildura and Shepparton — so we have very strong population growth which is driving that jobs growth in the provincial centres, which has seen the unemployment rate come down.

It is a bit more volatile for your small country towns, as you know very well. A small change in the labour market — a company putting even 5 or 10 people off — can be very difficult for that local community to support, which is why we have a range of programs like WPP to support people, in those circumstances.

As to the precise figures, I might have to take that question on notice and come back to you in terms of provincial Victoria versus rural, but make the point on the way through that regional Victoria's unemployment rate compared to other regional parts of Australia is performing very strongly as well. As I said before, we have had over 120 000 jobs created in provincial Victoria over the last seven years. We now have an unemployment rate of 4.9 per cent, so we have 4.9 per cent statewide and 4.9 per cent for regional Victoria. That is very strong and well below the double digit unemployment rate we saw in country Victoria in the mid-1990s. I think when you have a deliberate program of investing in infrastructure, investing in services in country Victoria that we have had, you will see those sort of results both in population and in unemployment.

Dr SYKES — With respect, Minister, if in fact the PEG has the more detailed presentation, its information shows high figures in the provincial cities, and what I am alluding to — that there may be much poorer performance in the rural areas because of the impact of the drought — the assertions you are making may not carry weight.

The first principle says we are in a very serious drought out there that is having a very severe economic impact. I have people coming to me, young kids, unemployed, because they have been put off. I cannot believe this, it does not match up with what I am seeing in my electorate, so it would be very beneficial to have those figures teased out, and then we can have the discussion about whether your assertion is correct or whether mine might be more accurate.

The CHAIR — Why do we not take those on notice. I want a couple more questions on employment before we finish.

Ms ALLAN — Very briefly, I am happy to have a chat about that because there are a number of employment-related initiatives as part of the \$157 million that is being provided as part of the drought assistance package to country Victoria, and that was very much exactly as you said — we know that the drought is having a huge impact. I think the Treasurer in his budget speech said it has taken 1 per cent off the forward growth in terms of the budget, so that has been factored in. It is having a very strong impact on country Victoria. That is why we have seen that package put in place, where there is a range of employment initiatives that you, Bill, I suspect might know pretty well already, but I am happy to provide some further information on those.

Dr SYKES — You would agree that these figures here do not match up with that policy decision ?

Ms ALLAN — I think you are confusing anecdotal evidence with statistics.

Dr SYKES — I am not confusing the pain on individual faces and the young people who come to me and say they are out of a job because of the drought, and those figures do not match up with those observations.

The CHAIR — We will check that one out.

Mr PAKULA — Minister, I would like you to briefly take us through the skilled migration strategy which is on page 337 of BP 3 and just how you think the strategy will build on the success that we have had over the last few years?

Ms ALLAN — Certainly. I have another chart that shows how we are doing very well year on year, and above the national average. I ask you to hand that one around as well for the committee.

This year's budget does provide, as I indicated, additional funds for the skilled migration program. To go back, we put in place the Victorian skilled migration strategy, I think it was launched back in 2004, with an additional \$6 million of funding, and it has seen us achieve the strong figures. It meant we put in place things like the Live In Victoria website and a range of other supports. This year's budget provides \$8.4 million in funds for the skilled migration strategy, and also complements the \$6 million in funding that was provided in the Provincial Victoria Growth Fund when the \$500 million Provincial Victoria statement was released back in late 2005.

We were able to secure \$6 million in funding, recognising that skilled migration is not just about attracting skilled and business migrants to Melbourne, it is about attracting them to regional and rural areas as well. The competition in this base is really intense. We are not just competing with other countries like New Zealand and Canada and the UK and the like, we are also competing against other states. I think some of us would have seen in the recent media reports, I think, of Queensland and WA and some of the activities they are up to in particular, so we have to continue to innovate, we have to continue to put more funds in this area, and that is what this budget provides.

As I indicated in my presentation, there is funding for the two overseas postings, one in the United Kingdom and one in India. They are our key source countries. They are the countries with the largest intakes, from where skilled migrants are coming. We are also building on the success of our Live In Victoria website.

It is easy to say we have a website, but it is actually quite a sophisticated tool where it is not just about promoting Victoria — when you Google 'Migration Victoria', up comes our website. It actually has online, and we are constantly streamlining and automating as much as possible the visa application requirements, and also putting quite detailed information, so in terms of when people click on there and they might be interested in a job in Benalla, they can click on the site and it will come up and it will tell you what schools are there.

Dr SYKES — Will it tell you the name of the their local member?

Ms ALLAN — No, we left that off. We did not want to scare them away, Bill. It puts in place a whole lot more information so when they are coming — it is not just the skilled migrant we are attracting, we are attracting their family as well, and that is why that vital information is provided at the same time.

The CHAIR — A final question on employment. Mr Dalla-Riva is happy to ask Mr Barber's question.

Mr DALLA-RIVA — Thanks, Chair. In respect of BP 3 at page 249, major outputs/deliverables: employment programs. Just going down — and I will not be specific on each one, but the range across a variety of actuals targets for 06-07 and the target for 07-08. We notice there has been a decline in the quantity and quality outcomes, in particular the government youth employment scheme — you have dropped the target there for this financial year; overseas qualifications unit — client services provided — actual and what is expected is significantly less into this financial year; skilled migration program, which you mentioned in your report, was 62 600 in the average month; you say it is now averaging 56 — a drop again. In quality, the skilled migration program — 92, down to 85, and you are expecting an 85 again.

Turn over the page, Minister. I guess the crux of my question in relation to some of the declines in the performance measures is: we see in 2005-06 there was an actual spend of 27.1 million; expected outcome in fact is 25 million — \$2.1 million less than the previous financial year — and the target that was set for 06-07 was 29.9 and the target for 07-08, in other words the next financial year, is \$4.6 million. Given that there are declines in some of the performance measures and that the total output costs are significantly less than previous years, can you explain, Minister, the reason behind this cut in spending?

Ms ALLAN — Sorry — we have just followed you from the 25.3, 29.9, 27 — you mentioned a 4 there, what was that?

Mr DALLA-RIVA — The target for 06-07 was 29.9 and the target for 07-08 is 25.3. So I am comparing your actuals with expected outcome, and your targets with your targets. So, just trying to work out why there is — I guess it is a twofold question; you could answer it two ways if you wish. Why was there a reduction in the expected expenditure from the previous year, and why is there a reduction of nearly \$5 million in the targeted expenditure from this current financial year into the budget year?

Ms ALLAN — I take it you do not want me to go through all the explanations behind those performance measures?

Mr DALLA-RIVA — No, but it just seems — —

The CHAIR — You can take it on notice.

Ms ALLAN — Okay, because we are happy to provide that information for the committee, and I do not have the chart I am afraid — —

Mr DALLA-RIVA — Well, it is on the record, and you may wish to get those charts to me.

Ms ALLAN — I might ask either the secretary or Stephen to assist, but in terms of the variants from the 06-07 target and 07-08 target — I mentioned before, we have committed \$24.6 million to the Workforce Participation Partnerships program, but not all of it — most of it will have been expended — I think we said 14.3 has already been expended, so it is really about seeing the rest of it go through the system, if you like. So not all of it was expended in the — the bulk of it was expended in 06-07, but there is still some more to be spent in 07-08 — unless, Stephen, you wanted to — —

Mr WARD — Just as a carryover of 4.5 on committed programs into 07-08.

Mr DALLA-RIVA — That is right, but you are still expecting your total output of 25.3, including that carryover?

Mr WARD — The last payment is the bulk of the payment so that is what is being carried over into the next financial year.

Mr DALLA-RIVA — But the 25.3 in the target, that is where that is going into?

Ms ALLAN — Into WPP? Not all of it is, no. There are the new initiatives that are coming on as well — the youth employment scheme, skilled migration. WPP is just part of it but there were more funds allocated and spent to it up to 06-07 than there are in 07-08.

The CHAIR — Okay, we will look forward to the additional information which is provided. Thank you very much, Ms Digby and Mr Ward, for your attendance.

Witnesses withdrew.