

NO REGRETS

Planning for Economic
Change in the Hunter



A Common Sense Response to Economic Change

It is time for a more honest, common sense discussion on change in the Hunter's economy.

The Hunter region has a long history of structural economic change. Closures such as BHP and the Kurri smelter are still fresh in the minds of many, and the migration of mining up the Valley has created great opportunity in areas where mines have opened, as well as long term social impacts in areas where they have closed.¹ While opinions vary on how well the economy has weathered changes, invariably it is working people who have carried the burden.

It is a difficult truth that the coming decades are likely to bring some of the most disruptive economic changes to the region since European settlement. It is hard to open a newspaper or turn on the radio without hearing about what a decarbonising world could mean for coal mining, power generation, industry, investment, or jobs in the Hunter.

Some believe these reports. Others are sceptical. Like any complex situation, the details are disputable and uncertain. But what is crystal clear is that technology and investment decisions are changing how we create electricity in New South Wales. The rapid growth of renewable energy is flowing on

to create challenges for major local employers, like the aluminium industry. At some stage these technology and investment changes will spread to the places in the world that buy coal and other products from us. We can debate what is already happening, how fast it will happen, and whether it should happen. But the most important question for the economy and jobs in the Hunter is *how we plan to respond*.

Regions that don't cope well with economic change invariably express two regrets: we wish we worked together, and we wished we planned ahead. The Hunter region has some experience in

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planning for big industrial change. We also have notable failures. At the moment, the issues are becoming clearer, but we are struggling to find a way to have a common sense conversation.

The region is clearly being held back by a 'culture war' that has developed around coal and energy. This distracts us from planning for economic change,

¹ Cessnock City Council (2019) Submission to Senate Select Committee into the Jobs for the Future in Regional Areas



and deters investment. A fragmented set of local interests have not (as yet) been able to articulate a collective, shared vision on these issues. The prevailing approach from government also leaves many major decisions about regional economic change and investment primarily to business interests. Until these issues are addressed, the debate will be defined by outside actors and political calculations, and decisions will be made in distant board rooms and political offices with little input from working people in the Hunter.

There are some positive signs, however, and the Hunter community has reason to be optimistic. Recognising the challenge is not about talking the region down. It is a great place to live and work. We have many advantages, and much to be proud of. The task at hand is to keep it that way over coming decades.

The Hunter Jobs Alliance has heard a clear message from local workers: people want a more constructive, common sense approach. Concrete, practical action, and a positive vision are the priorities, rather than ongoing arguments and debates. The issues are complex and uncertain, but the trajectory of change is clear and we should be making our best efforts to respond.

The Hunter Jobs Alliance has developed this discussion paper in the spirit of collaboration, and in recognition of the need for clear, specific proposals. The paper summarises extensive research and local experience to draw conclusions on what is required to deliver a “no regrets” approach. Fundamental to this are effective planning; adequate funding; the participation of diverse stakeholders in decision making; and transparent public discussion.

The paper concludes with four high level recommendations:



The establishment of a local, collaborative statutory body to support the community in adjusting to structural change



A public investment commitment including the ongoing allocation of dividends from the NSW Generations Fund (sovereign wealth fund) to the Hunter



The delivery and funding of a set of evidence-based actions to support workers and communities and attract job-creating investment to the region



The development of a standard that creates clear expectations of companies undertaking large scale closures and retrenchments in the Hunter.

The Hunter Jobs Alliance looks forward to engaging with the local community, workers, government and business to further develop these proposals to meet the needs of the Hunter community, and to secure our future as a prosperous and sustainable region.



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Getting the Conversation Back on Track

Before any analysis of what practical actions can or should be taken, it is important to acknowledge the diversity of views in the community. There is no one view held by 'Hunter people.' Substantial numbers of locals disagree on these issues. Reinforcing or encouraging these disagreements, however, does nothing for the shared enterprise of ensuring the Hunter continues to be a great place to live with good opportunities for working people.

The challenges we will face in future will be substantial. Having an understanding of what matters to people in the Hunter, and the areas of common ground, is important in articulating our own future. It is also critical in sending a coherent message to governments and investors about

the support we need and the opportunities we can create.

On one hand, large sections of the community are dependent on coal mining, energy generation, and related supply chain and manufacturing sectors. The benefits of this prosperity to households and communities are direct, and tangible. Workers can see the well-paid jobs, the tight labour markets and skills shortages, the spending in their communities, the mine expansion plans, and the record volumes of coal being shipped. The past appears to be a reliable guide to the future.

Analysis from outside experts that devastating but uncertain impacts are just over the horizon are hard to match up with day-to-day experience. PowerPoint presentations about 'megatrends' – like global demand, technology change, climate change policies, or investor behaviour – don't cut through when they conflict with the day-to-day business of going to work, or observed realities such as resilient demand for Hunter coal. Much of this analysis is written off as academic, lacking common sense or local knowledge, or reflecting an attempt to hasten the decline of coal mining.

On the other hand, the evidence is real and mounting that substantial economic change *is* on the way. The increasingly rapid changes in domestic energy generation – including the scheduled closure of all four local coal fired power stations – are already having real impacts on workers and creating challenges for critical sectors such as aluminium smelting.

Questions over the thermal coal sector understandably attract much debate given the economic scale of the industry. Confident declarations are regularly made about the



industry's rosy future or imminent demise, furthering confusion, division and mistrust. The truth is the future is incredibly uncertain, but it is hard to ignore the rapid changes in technology, the movement in most major economies towards reducing emissions and air pollution, and the shift in private capital away from coal fired power.

The more immediate concerns, however, are for those industries that are being affected by energy changes now. Power generation, aluminium smelting, metals production, manufacturing and supply chains are all having to manage substantial changes, threats and opportunities. These are numerous and include energy prices, grid stability, lack of clear policy at the federal level, and the ongoing consequences of electricity privatisation.

The warning signs are clear and present in these sectors, and past experiences of change in regional, blue collar industries show that working people bear the brunt of any impact. These past experiences are often characterised by regrets – of not heeding warning signs, and of not planning ahead when there was the chance.

There is a currently a significant chance the Hunter will repeat this pattern of regrets. That we will miss the opportunity to make use of our extraordinary advantages and people to secure our prosperity in a world that is embarking on fundamental changes in how we power our societies. That we will be dangerously distracted by the current fashion for 'culture wars' at a critical moment that requires leadership to tackle these threats to the aspirations and livelihoods of working people in the Hunter. That we won't be able to work together to articulate what actions are required, or that we will not be able to dissuade government from a 'hands off' approach that leaves business as the primary decision maker.

There is also a significant risk that the Hunter will let our future be defined by others – in far off corporate boardrooms, on the whiteboards of political strategists, and in ministerial offices absorbed in their own, complex priorities. A race is on, both in Australia and globally, to make use of local advantages to secure opportunities in the emerging, 'decarbonised' global economy. Communities that plan, act, and utilise government investment are clearly winning this race. The Hunter is not without advantages, but we clearly have some way to go to be a front runner.

Despite the best efforts of some, it has become politically difficult to speak about these realities. As long as discussions about the Hunter's future are a politically-charged, culture war bun-fight, governments and business are less likely to invest. The Hunter community needs to take some responsibility for leading the discussion, creating expectations of government, and making practical action a widely-endorsed matter of common sense.

There are many views in the community on these matters and not everyone will agree. But the first steps are speaking honestly and openly about the challenges we face, and advancing concrete, practical options on how to respond.



When the Rules of the Game Have Changed: Planning for Regional Structural Change

Prescriptions for how to deal with the economic impacts of change in the energy industry, and other heavy industries, have become a common topic for think tanks, consultancies, and academics.

The research with the most practical applications comes from those who have looked across different regions to understand what works and what doesn't. Every place is different, but there are some common lessons that have real world applications for communities like the Hunter.

INTERNATIONAL STANDARDS

The Organisation for Economic Cooperation and Development (OECD), the global body of developed nations including Australia, has reviewed the experience of hundreds of industrialised regions. Its 2019 *Regions in Industrial Transition* study identified a clear list of actions that are critical for supporting communities and retaining prosperity.²

Key requirements include a common vision across government and industry; adequate public investment; early and long-term planning that prioritises the people most impacted; and implementation that is coherent between different policy areas and levels of government. Critically, the OECD highlights the need for a transparent public discussion and the inclusion of diverse stakeholders in planning – including trade unions, individual communities, and the private sector.

The Paris-based Institute for Sustainable Development and International Relations (IDDRI) undertook a substantial analysis in 2017, assessing how coal regions experienced and responded to structural change across Europe and North America.³ The conclusions will be familiar to people in the Hunter.

The IDDRI study highlighted that national debates can often overlook the high dependence of specific communities and regions on mining. Reliance on neoclassical economic theory that assumes easy movement of workers to new opportunities did not reflect the realities of skills barriers and a lack of similar local work. The creation of cultural identities based on geographical concentration of industries and employment was also seen as a critical issue that impacted the effectiveness of how communities, government and business could respond.

The IDDRI study also identified some foundations of well-managed change. This includes the commonly-recognised but rarely-practiced need for anticipatory planning. The useful observation was made that effective collaboration is more likely when key actors recognise the 'rules of the economic game' had indeed changed and that a new operating model was required.

2 OECD (2019), *Regions in Industrial Transition: Policies for People and Places*, OECD Publishing, Paris.

3 Caldecott, B., Sartor, L., Spencer, T. (2017) *Lessons from previous 'Coal Transitions' High-level Summary for Decision-makers*, IDDRI and Climate Strategies.



Effective policies to manage change were assessed as costly for governments but generally less expensive than the often hidden and persistent social and economic costs of inadequate, underfunded or hands-off approaches that left responsibility for change to business. Significantly, substantial investment in effective supports for individual workers was seen as addressing wellbeing, respecting workers, supporting re-employment, and retaining the human capital that becomes the key competitive advantage for many regions as traditional industries change.

OECD (2019) CHECKLIST, REGIONS IN INDUSTRIAL TRANSITION.

Political and corporate commitment: Obtain a clear commitment from the public and private sector to achieve a common vision and objective and provide funding for the transition.

Develop long-term strategies: Develop a long-term strategy to implement low-emission pathways that goes beyond electoral cycles. A long-term strategy can also identify the communities and assets put at risk due to the transition before adverse effects occur and ideally identify mechanisms to mitigate the impact.

Look at policy effects: Identify the impact of policies on the population and on the private sector in the short and long term, and across administrative boundaries.

Integrate approaches to implementation: Ensure policy alignment between sectoral policies (e.g., energy and environment).

Align policies between levels of government: Clearly define implementation responsibilities and actions.

Stakeholder participation: Develop vision documents and long-term strategies with the participation of key stakeholders, including trade unions, individual communities, the private sector, other government levels and entities, etc. There should be an active social dialogue regarding the transition.

Monitoring and reporting: Report on and measure the impact of the strategy, and review it accordingly.



AUSTRALIAN EXPERIENCE

A comprehensive review of best practice approaches to industrial change as they apply to the Hunter was undertaken in 2020 by leading global researchers Professor Andrew Beer and Associate Professor Sally Weller (University of South Australia). The review was commissioned by Muswellbrook Shire Council to measure the success of actions to address the social and economic impacts of large industrial closures.⁴

The study drew on a large range of Australian and global lessons. It identified that there is no single 'best practice' approach, as situations vary. However, the one conclusion common to all successful responses was:

A key priority was local decision-making. Each place is different and local people understand the needs of their community. Government and business engagement with local, people-focused institutions, such as councils, community organisations, and unions, is critical.

Engaging locals in the decision-making process creates trust and improves the targeting of investment. It provides the forum for developing a vision of the future that is at least somewhat shared and can be used to set goals and pursue practical activities such as attracting government support and new enterprises. Crucially, in often stressful and politically contentious circumstances, putting locals in the centre of decision-making builds the patience and social capital that is required to develop effective responses and ride out difficult circumstances and disagreements.

Effective identification and targeting of assistance to those most affected was also identified as significant. There are well known examples of reliance on existing 'baseline' services in structural change circumstances failing to effectively support individuals in the community. For



example, reliance on the Australian Government's contracted network of employment service providers during the Bluescope restructure in the Illawarra in 2011 was shown to be unsuitable for retrenched workers.⁵

Importantly for economic diversification initiatives, an explicit focus is required on how new investments can maximise local employment and business opportunity. Wealth needs to 'stick' in the community. These issues are of particular relevance as the energy system increases its reliance on renewable technologies that require fewer labour inputs per megawatt hour produced.

4 Weller, S., Beer, A., Porter, J and Veitch, W (2020) *Identifying measures of success for a global best-practice thermal coal mine and thermal coal-fired power station closure - Overview Report*, UniSA Business, Adelaide.

5 O'Brien, M., & Burrows, S. (2019). Assessing the Effectiveness of Regional Policy Responses to Mass Redundancies: The Case of the Illawarra Region, Australia. *Economic Papers: A journal of applied economics and policy*, 38(2), 144-155.

Active efforts are needed to ensure value is captured locally and contributes to the growth of labour-intensive and value-adding industries, through initiatives such as procurement policies, support for local business to diversify and attract new contracts, effective reskilling, and unionised employment. More broadly, the capacity of local communities and local government to improve the retention of wealth in the local community through ‘community wealth building’ initiatives present some practical opportunities.⁶

The Hunter has its own extensive history of significant community engagement in structural adjustment planning, as well as broader regional development and diversification activities. For example, the effective collaboration and advocacy of business, union and other leaders in the work

“The need for affected workers and communities to have a sense of procedural justice [is critical], leaving them with the understanding that *everything that could have been done to help had been done.*”

of the Hunter Development Board and other organisations in the 1980s played a critical role in establishing new job opportunities after major restructures at the BHP Steelworks. As extensively documented in the comprehensive study of the Steelworks closure, *Not Charted on Ordinary Maps*, community and union advocacy was also significant in seeking to develop alternative employment opportunities during and after the closure.⁷

The most prominent recent Australian examples of formal responses to closures in the energy sector are those undertaken in the Latrobe Valley in Victoria and Collie in Western Australia.

Victoria’s Latrobe Valley Authority (LVA) was created as an almost instant response to the short notice closure of the Hazelwood Power Station. While there had been some prior discussion of the likelihood of future closure, including by local government and in light of the dramatic employment impacts and lack of planning during power station privatisation in the 1990s,⁸ there was little proactive planning in place at the time of Hazelwood’s closure.

In the absence of substantive anticipatory planning and governance structures that included local input, the LVA was focused on injecting large volumes of spending to stimulate the local economy, and providing immediate support for workers. The response speed and the substantial figure of \$270 million in funding was widely

welcomed, as was the ownership taken directly by the Victorian Premier. However, the centralisation of decision-making and accountability solely into the highest level of Victorian Government, and lack of local engagement on priorities

and investment was viewed by local stakeholders as leading to missed opportunities.⁹

Significantly, the lack of pre-existing structures and capacity to support workers, such as financial and career advice, mental health, and training and employment support also meant the emergency response for workers in the critical early staged was hampered.

Similarly, the difficulty and long lead times in economic diversification initiatives meant efforts to develop other employment opportunities gained momentum in some cases years after the initial employment shock. Actions that were the most immediately effective from a diversification standpoint were those that utilised structures

6 Guinan, J., Director, E., & O’Neill, M. (2020). *The case for community wealth building*. Cambridge: Polity Press.

7 Lewer, J (2015) *Not Charted on Ordinary Maps: The Newcastle Steelworks Closure*, Australian Scholarly Publishing

8 Latrobe City Council (2010) *Positioning Latrobe City for a Low Carbon Emission Future*

9 Muswellbrook Shire Council Closure Advisory Committee (2020) *Discussion Paper: Managing Plant Closure and Economic Change in the Latrobe Valley - Some Insights for the Upper Hunter*, April 2020



that had been put in place to address historical structural adjustment challenges, such as the work of Regional Development Victoria in supporting existing supply chain businesses to diversify.¹⁰

As an alternative approach that sought to directly address the challenge of balancing government accountability with community participation, Western Australia's Collie Just Transition Plan was developed by a Just Transition Working Group working with the Department of Premier and Cabinet and other government agencies.¹¹ Notably, the plan was developed in response to the end-of-life closure of power stations and associated mines, and explicitly informed by learning from the Latrobe Valley experience.

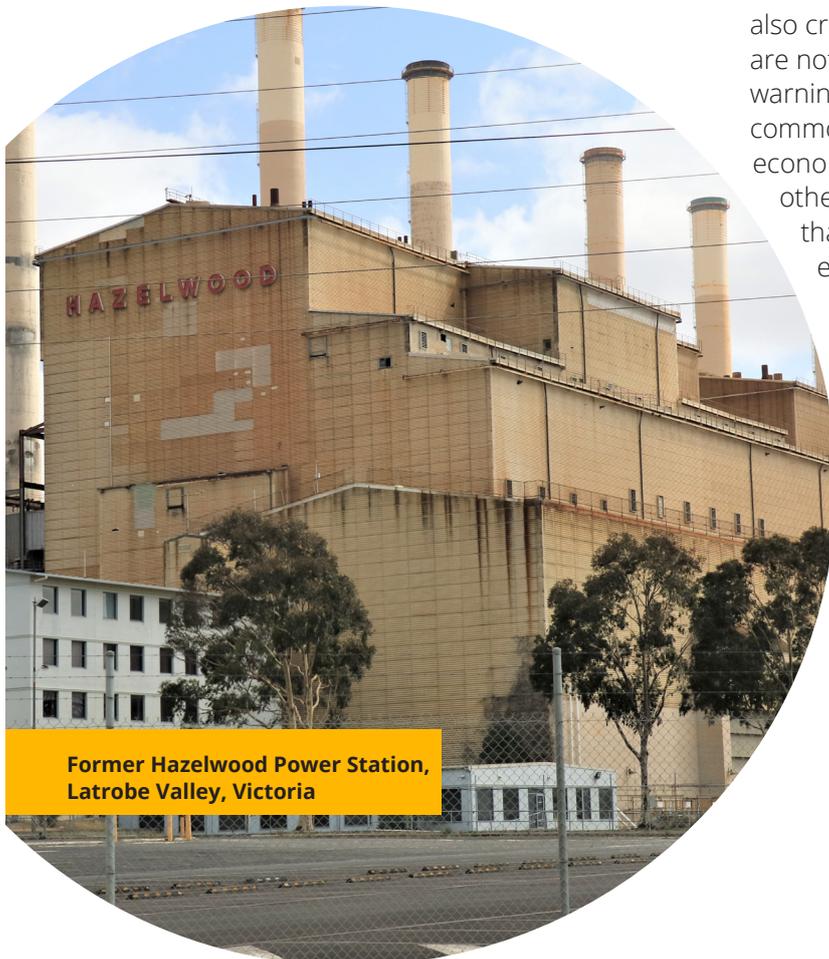
10 Regional Development Victoria (2017) *Latrobe Valley Supply Chain Transition Program Guidelines*, https://www.rdv.vic.gov.au/__data/assets/pdf_file/0003/1636473/2017-LV-Supply-Chain-Guidelines_web.pdf

11 Government of Western Australia (2020) *Collie's Just Transition Plan*, https://www.wa.gov.au/sites/default/files/2020-12/Collies%20Just%20Transition_December%202020_webpdf.pdf

In comparison to the centralised Latrobe Valley Authority approach, the Collie Working Group comprises union, local industry, community, and government stakeholders who direct priorities and monitor progress, with regular reviews and formalised feedback mechanisms into government. Inspired by international models, it covers four areas: maximising opportunities for affected workers; diversification; celebrating history and promoting future; and commitment to the principles of a just transition. Significant levels of funding (\$80million) have also been provided for diversification and worker support.

While the Latrobe Valley approach represents a response to a set of emergency, economic shock circumstances, the approach taken in Collie conforms much more tightly to recognised best practice 'participatory' approaches. The collaborative multi-stakeholder approach firstly creates a table, and secondly gives community and worker representatives a seat at it to genuinely participate in decision-making, identifying needs, and setting priorities.

The time afforded by an anticipatory approach also creates a whole set of opportunities that are not possible in situations where there is no warning (or where warning signs are ignored - a common characteristic of damaging regional economic change). This includes learning from other regions; development of worker supports that are available in the right timeframes and effectively tailored to worker and community needs; advance warning to enable households to make their own plans; long-term investment in diversification initiatives; and support services tailored to specific groups in the community.



**Former Hazelwood Power Station,
Latrobe Valley, Victoria**

Fair and Effective Public Investment

In Australia, public investment in regional development is heavily focused around construction of hard infrastructure. This is clearly critical. The Hunter has been a beneficiary of substantial recent investment including the Hunter Expressway, bypasses, hospital developments and other infrastructure.

However, regional development investment in other countries, and in some cases in Australia, has taken a broader approach that includes more substantial investment in two other key elements. The first is investment in education and training, particularly in the vocational education sector that provides the greatest 'bang for buck' for workers needing to move careers mid-life, or those looking

that is not possible for the private sector.¹² This 'hands on' model of government action is familiar to regions that seek direct community input into how change is managed. Once regional priorities are collaboratively identified, the public sector sets the economic vision and provides investment and leadership to achieve that vision. Any public investment is overtly linked to public outcomes, including returns on investment, procurement expectations, and provision of good and lasting jobs in the region.

The NSW and Australian Governments currently have a number of small grant programs, and occasionally larger ones, that are available in the Hunter and are targeted to various

“Recognising the challenge is not about talking the region down. It is a great place to live and work. We have many advantages, and much to be proud of. The task at hand is to keep it that way over coming decades.”

business growth or development activities. While beneficial to particular sectors, these programs are often short-lived, limited in scale, and are difficult for investors to rely on

to get a leg-up back in to the labour market. The second is provision of capital, including direct investment, discounted finance, co-investment, and grants that develop and attract business.

Such forms of public investment must be more than simply subsidies to the private sector. As Economist Marianna Mazzucato has documented, governments have a key role in managing economic change for public benefit in a way

over longer periods. There is also some reluctance to utilise public investment to attract development to specific regions, due to concerns of being seen to favour one region over another. With some exceptions, available programs are not targeted to explicit structural change imperatives, and in the context of the likely scale of change in the Hunter programs are modest and short term.

12 Mazzucato, M., Kattel, R., & Ryan-Collins, J. (2020). Challenge-driven innovation policy: towards a new policy toolkit. *Journal of Industry, Competition and Trade*, 20(2), 421-437.



Existing programs notwithstanding, regions undergoing generational structural economic change have a strong case for substantial public investment on both equity grounds (communities should be supported through periods of exceptional change to avoid severe impacts) and efficiency grounds (proactive investment avoids persistent and entrenched social and economic costs).

As we have seen in recent years in Australia, both the energy sector and regions that have been subject to closure of power generation assets have been recognised as worthy of substantial public investment due to specific circumstances.

Innovations such as the Clean Energy Finance Corporation, ARENA, state owned renewable energy companies such as CleanCo in Queensland, demand response payments to large energy users, and a set of direct investments, reverse auctions and grants have been employed to manage Australia's transition through a range of emerging technologies in electricity production.

At the same time, other state governments have recognised that regions who have powered their states for generations, and are facing the closure of coal fired generators, need additional tools at their disposal to manage change beyond the standard approaches to regional development. In the Latrobe Valley and Collie, respectively, the Victorian and Western Australian Governments have deployed a range of actions in worker support, training, investment attraction, direct investment, land use planning reform, and regional economic planning.

It is worth reflecting that in these regions, and in relation to the electricity sector more broadly, it has been recognised that a business-as-usual approach to managing change is insufficient. This has clear implications for the Hunter. The current approach here is to rely on a relatively thin suite of existing regional development programs and private sector approaches, an inadequate training and employment services system, and the benevolence of companies who are focused on their own priorities of managing substantial disruption to their businesses.



Despite a number of years of active discussion on these matters, there has been little progress in securing a clear and funded commitment from government that something different, specific and well-resource needs to be done. The traditional *laissez faire* approach of state government and complications posed by arguments over mining have obscured the fact that there are already parts of our economy that are subject to immediate structural changes – particularly coal fired power generation, and large energy using industrial manufacturers.

These live issues in major employing sectors should be enough reason in themselves to secure more substantial public investment to support the region. Moreover, investing in policy responses to these immediate challenges for industry, jobs and investment would also serve as a learning experience, and an opportunity to test approaches for addressing the larger structural changes the Hunter will face down the track.

Taking Practical Action: Options for the Hunter

Responses to structural economic change that are effective in supporting workers and communities are difficult to achieve. However, work in many regions – including previously in the Hunter – shows what can be done. What follows is a set of practical actions that have been shown to be effective, with reference to how they could be applied to the Hunter. It is followed by a set of specific recommendations for developing these proposals in collaboration with stakeholders across the Hunter.

ANTICIPATORY PLANNING & COMMUNITY PARTICIPATION

The approach taken in Collie, Western Australia, in response to power generation and mining closures, provides a clear template that is suitable for the Hunter. The Collie Plan was developed collaboratively by stakeholders in anticipation of clear changes in the local economy.¹³ Employers, workers, unions and community were empowered to develop a plan that is integrated across multiple policy areas, including energy policy, and entrenched in policy over at least a 10 - 15-year period, in recognition of the long-term nature of impacts. Specific five-year plans and priorities were created, with clear accountability from government through the creation of a specific office in the Department of Premier and Cabinet, and reporting and participation mechanisms for workers and the community.

High level expertise and extensive staffing support, including through existing state-funded regional development organisations and the

¹³ Government of Western Australia (2020) *Collie's Just Transition Plan*, https://www.wa.gov.au/sites/default/files/2020-12/Collies%20Just%20Transition_December%202020_webpdf.pdf

direct engagement of the Minister for Regional Development, was provided to support the Collie Working Group. Significantly, \$80m was provided with a substantial focus on regional development and investment attraction programs.

The plan focuses on four areas:

- 1 Maximising opportunities for affected workers;
- 2 Diversifying the local economy
- 3 Celebrating Collie's history and promoting its future; and
- 4 Long-term government commitment.

The Collie example was undertaken with a framework that responds explicitly to planned closures of power plants and associated mining infrastructure. This approach responds to a situation that clearly has some substantial differences with the Hunter, but is well considered, based on clear principles, and clearly applicable to a variety of economic change circumstances.

The core principles of multi-stakeholder participation, long term planning, clear government commitment, significant funding, and accountability mechanisms provide a clear and workable model that could and should be replicated in the Hunter region to address foreseeable changes over time. This model clearly has substantial benefits over the 'emergency' intervention model that has been seen in other parts of the country, such as the Latrobe Valley.

PUBLIC INVESTMENT IN THE HUNTER'S FUTURE

Discussions about fair distribution of government spending between regions are complex. Some regions are blessed with economic advantages. Regions are rewarded economically for their own efforts, and should expect some level of compensation for the downsides of successes that



support the broader community, whether that be traffic congestion, pollution, or landscape impacts.

In Australian society the benefits that accrue to some regions are subject to redistribution to other parts of the country. While the mechanisms and rationale for redistribution are often opaque and politicised, in general terms there is a ‘what goes around comes around’ acceptance that wealth and good fortune should be shared.

Given the structural changes underway in the Hunter, and the likelihood these changes will accelerate, there is a genuine case for specific public investment. There are two policy principles that support the prospect.

Firstly, it is explicitly recognised by the NSW Government that mining regions should be compensated for the costs borne by the community, economy, and environment. Currently this is expressed through the Resources for Regions royalty return scheme. While ‘diversification’ imperatives are incorporated in the program, it currently functions as a set of

*Mining royalties are very important for NSW, but these markets are changing. Demand for coal is shifting as the global economy transitions away from fossil fuels. By directing these royalties into our State’s sovereign wealth fund, the Government is ensuring that future generations can benefit from the sale of today’s non-renewable resources.*¹⁴

The NSW Government has recognised that coal royalties will tail off over time, and that it is appropriate to quarantine these funds for future generations to ensure the benefits are maximised. As noted above, policy settings also recognise the need to manage the effects of mining on producing regions through the redistribution of royalties, including encouraging economic diversification and job creation.¹⁵

It is logical, therefore, that a share of the royalties now being put aside for future generations are explicitly earmarked for the resource regions that are facing the most direct impacts of structural change over future decades. When considered against the clear evidence that anticipatory

planning is critical, there is a strong case for regular and substantial investment of Generations Fund dividends in the Hunter to address regional economic change.

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infrastructure and (more recently) community-focused small grants delivered through local government.

A more explicit recognition of the need to respond to accelerating structural economic changes would suggest a strong case for a large increase and a direction of funds to specific structural change investment. In relation to the scale of current funding (notwithstanding other significant investments in the region such as road projects and hospitals), it is worth noting that this is a small fraction of some equivalent programs, such as Western Australia’s Royalties for Regions program.

Secondly, in the most recent NSW budget, it was announced that coal royalties will now be directed to the state’s sovereign wealth fund, the NSW Generations Fund:

It is also notable that the Generations Fund currently directs some dividends to projects identified as important by local communities. As the Treasurer noted at the launch of the Fund in 2018, “When it comes to delivering projects that will make the biggest difference to people’s lives, you can’t beat local insight. My Community Dividend puts the power in the people’s hands, and that’s the way it should be.”¹⁶ Given this, there is also considerable potential to provide

14 NSW Government (2020) *Budget Paper No. 1*, Budget Statement 2020-21

15 NSW Government (2021) *Resources for Regions*, <https://www.nsw.gov.au/regional-growth-fund/resources-for-regions>

16 NSW Government (2018) *NSW Generations Fund: Securing Tomorrow, Delivering Today*, Media Release, Tuesday 19 June 2018



some responsibility for the allocation of funds to a body responsible for planning structural change with the input of the community, such as a local statutory authority.

INVESTMENT ATTRACTION

Attracting investment – whether to support the growth of existing employers or develop new projects – is critical to managing structural change. As is often noted, the Hunter has a significant set of advantages that should be attractive to investors and developers in a number of target sectors. The Hunter also has a number of actors who are active in investment attraction, including NSW Government programs and agencies, across local governments, and in a number of industry bodies.

While there is no silver bullet for the difficult task of attracting investment, dedicated public investment funds for managing structural change in the Hunter could be well utilised for loans, co-investment and grants to attract investment,

in line with evidence-based regional development practices. This could be allied with region-specific resources for investment attraction activities that provide extensive support to potential investors, whether that be through a dedicated structural adjustment entity, or through additional resources and coordination for existing actors.

SUPPLY CHAIN DIVERSIFICATION

The Hunter is fortunate to be home to a significant number of enterprises that have and are successfully diversifying their businesses to make them more resilient to changes in energy generation, mining and other key sectors. There is also a sophisticated approach to supply chain development in specific industries. Previous local efforts at supply chain diversification – for example related to BHP or the activities by some mining companies after the 2014-15 mining downturn – mirror the practical, SME investments undertaken by government in other regions subject to structural change, such as South Australian automotive supply chains and the Victorian energy sector. There are also a number of existing, effective programs undertaken by state and federal government agencies in the region.

Governments also have a key role in supporting supply chain diversification through procurement policy and government spending. This can include requirements for local procurement that are incorporated in, for example, renewable energy underwriting and reverse auctions, or through direct spending in sectors such as train manufacturing and electric bus manufacture.

While supply chain diversification is challenging, there is substantial scope for leveraging of known successes and existing programs to expand initiatives beyond the current offering, in order to address the future scale of change anticipated. In the Hunter, this is an area where a high degree of local knowledge and experience across government and industry could be bolstered through additional funding, coordination, and with an explicit mandate to address broader structural change imperatives.



WORKER SUPPORT SERVICES

While political actors increasingly emphasise the importance of individual resilience and self-reliance in responding to change in the economy, in reality there is little support or information provided for workers and households to plan ahead.

For workers in industries facing immediate changes, or changes over time, access to expert, local support on career advice, labour markets, retraining, financial advice, and counselling is critical. Early interventions are highly effective. This support should be easily accessible, unrestricted, high quality, and tailored to specific sectors. It should also be made accessible to families, supporting them to plan ahead.

As past experience shows, the privatised employment services system is unsuitable for workers experiencing structural change, including in blue collar employment.¹⁷ Recently announced cuts to TAFE student services may also affect one of the few sources of free available advice on career options in the region. The quality and depth of any employer-provided support is also highly variable and often depends on levels of stakeholder pressure and the willingness of employers to pay.

Dedicated centres and counselling services should be established in the Hunter to fill the large gap in current service provision for workers and households in changing sectors, include career, training, financial and counselling support.

17 O'Brien, M., & Burrows, S. (2019). Assessing the Effectiveness of Regional Policy Responses to Mass Redundancies: The Case of the Illawarra Region, Australia. *Economic Papers: A journal of applied economics and policy*, 38(2), 144-155.

TRAINING

Workers in blue collar occupations are familiar with the need to continually update skills and qualifications as roles and industries change. However, in NSW, navigating the plethora of online portals, eligibility criteria for financial support, and training providers makes it difficult to identify courses that are likely to be most useful in maintaining and obtaining employment, particularly when changing occupations.

As a marketised system, government subsidies that point to a course as being in-demand in the labour market are generally obscured under cost-saving eligibility criteria or a confusing proliferation of options and websites. The continued underfunding of TAFE is also resulting in challenges for workers and employers. In short, it is often hard for workers who are proactive or in need of retraining to find or access suitable vocational training.

Identifying in-demand skills needs and making them accessible is undoubtedly a challenging policy task. Analytical solutions such as workforce planning are easy to recommend and difficult to execute. Governments are reluctant to fund 'training for training's sake', although this oft-repeated maxim relies on the ability of a slow-moving system to pick winners in a rapidly evolving labour market. Confusingly, it also ignores the broader benefits of training and retraining in a job market that prizes evidence of self-motivation and capacity to learn as sought after 'soft skills'.

A straightforward solution has been effectively employed in Victoria, including in regional areas experiencing structural change, and has now been adopted to a significant extent under the national JobTrainer scheme in response to COVID.

In brief, there should be substantial numbers of courses available for free, through TAFE, with improved funding to ensure these courses are high quality and widely available across the region on permanent basis. These opportunities should be allied with promotion of career

advisory support services that are accessible to workers looking for or undergoing career transitions in key sectors. The evolution of training authorities that has been seen in other states, for example Jobs Queensland,¹⁸ as well as the improving ability of some analytical tools, also demonstrates that locally-informed efforts to identify future workforce needs can be of significant value.

EXPECTATIONS OF BUSINESS IN CLOSURE AND RETRENCHMENT SITUATIONS

There are many reports and studies on what should be done and what should be expected from large employers in closure and retrenchment situations. Important contributions have included proposals for planned responses to Australian power station closures, such as regional coordination and shared union-government-business planning; pooled redundancies across different sites; a focus on different age groups of workers; retraining and education; income support; relocation assistance; and public investment focused on high quality, similar jobs.¹⁹

Despite the clear evidence that specific supports for workers, and in some cases supply chains, can make a significant difference, there appears to be no straightforward, baseline set of expectations – no set of standards or principles – that can be used to guide or create expectations of employers in the Hunter.



For those employers who are committed to supporting their workers beyond the legal minimum, a clear and agreed set of principles on the type of practical supports seen to be useful would provide a sound starting point for direct engagement with workers and communities. For those employers less focused on worker welfare, baseline principles would provide an important indicator of community expectation.

18 State of Queensland (2021), *Jobs Queensland*, <https://jobsqueensland.qld.gov.au/>

19 Sheldon, P., Junankar, R., and De Rosa Pontella, A (2018) *The Ruhr or Appalachia? Deciding the future of Australia's coal power workers and communities*, IRRC Report for CFMMEU Mining and Energy.

Recommendations



Establishment of a multi-stakeholder statutory authority with a mandate to undertake a range of activities to plan for and adjust to structural change in the Hunter.

Evidence shows that without early planning and key stakeholders working together, regions that experience structural change generally fail to support their workers and communities, and fail to make use of their advantages to retain and create job opportunities.

Ensuring a shared view of the challenge; that there is a body responsible for responding to change; that there is a properly-resourced plan; and that the community has a seat at table are all critical in ensuring the Hunter can maintain its role as a prosperous place in which to live and work.

The Hunter Jobs Alliance recommends the establishment of a local statutory body, with representation from all levels of government, business, workers, and the broader community. This body would be responsible for mapping out a set of specific actions that would be delivered over and above electoral cycles, either undertaking actions directly, or collaborating and funding activities in partnership with organisations and agencies with specific expertise. Given the demonstrated importance of public trust in adjusting to change, transparency and accountability are critical.

A substantial investment of public funds, commensurate with that provided by state governments to equivalent bodies in Victoria and Western Australia in energy producing regions, should also be allocated, with a clear role for a statutory body in advising on or allocating funds in line with agreed plans (see Recommendation 2).



Re-investment of coal royalties in the Hunter via the New South Wales Generations Fund, with the delivery of reliable, regular, and large-scale investments over coming decades to adjust to structural change.

Significant public investment is a critical part of fairly and efficiently responding to structural change. The recent decision by the NSW Government to direct coal royalties to the NSW sovereign wealth fund (Generations Fund) in recognition of future structural declines provides a clear opportunity to invest in structural change responses in the Hunter in a way that is fair, predictable over time, and avoids bottom line budget impacts.

This builds on a set of established policy principles. There is pre-existing recognition of the need to support mining communities to diversify and compensate for the impacts of mining. The Generations Fund is an explicit investment in future generations with dividends distributed according to priorities established by local communities. These principles support an inference that the 2020-21 budget decision to save declining royalties means this income could be fairly and sustainably re-invested in the regions who have generated these earnings.

Given this, the Hunter Jobs Alliance recommends the NSW Government explore options for regular allocation of Generations Funds dividends to the Hunter for the purpose of addressing structural change. The Alliance further recommends community input in the direction of expenditure, including through a structural change-focused, local statutory authority.



In relation to strategic public investment, all options - including business equity investment, grant provision, and low interest loans; infrastructure; worker supports and training - should be eligible. Public investments in key sectors, such as firm renewable energy generation and manufacturing, should also be considered, including focusing on strategic value adding sectors and maximising local value through procurement, training, employment and environmental protection policies.



A set of proactive structural change focused activities are undertaken in the Hunter region, with a focus on collaboration between different levels of government, business, workers and the community.

It is often said that the Hunter has a set of ‘world class’ advantages that position it to respond to change. Ports, roads, airport, available land, a skilled workforce. This is true. It is the key to our economic future. It is also true that those advantages only exist because someone – often in government, but also in business, community, and the union movement – took the wheel, advocated, planned, and invested in sectors like coal, steel and electricity generation.

Supporting communities to adjust to structural change is difficult. However, there is sufficient evidence locally and across other regions on what can be done to support workers and create good, secure jobs. The Hunter Jobs Alliance recommends the following activities are developed, improved or better-resourced in order to support the community to adjust to change over coming decades. The Hunter Jobs Alliance further recommends that these activities are investigated, planned, undertaken, invested in and monitored by a local statutory body.

Worker and Household Support Services: Dedicated centres and counselling services should be established in the Hunter to fill the large gap in current service provision for workers and households in changing sectors, include career, training, financial and counselling support.

Training: There should be substantial numbers of courses available for free, through TAFE, with improved funding to ensure these courses are high quality and widely available across the region on a permanent basis. These opportunities should be allied with promotion and support services that ensure they are accessible to workers looking for or undergoing career transitions in key sectors.

Public Investment: Transparent mechanisms for public investment should be developed and expanded in key sectors (such as firmed renewable energy); to enable private sector investment; and to ensure value creation in local employment and supply chains. This should be done through a statutory body and other mechanisms.

Investment Attraction: Efforts to attract investment are highly competitive between regions, whether in Australia or overseas. There are a recognised set of effective investment attraction activities, including promotion, ‘concierge’ activities, land use planning, regional coordination, and financial incentives. The Hunter has existing strengths but there is substantial opportunity for development of investment attraction services. The Hunter should be home to a well-resourced and nation-leading approach for attraction of investment, in existing and new business.

Supply chain diversification: Practical support for supply chain businesses is an efficient intervention to support new job opportunities and economic resilience. There are substantial local expertise and initiatives in the Hunter that could benefit from increased support that is consistent over time, as well as being directed towards structural change imperatives.



A standard should be established that recognises the changes occurring in specific sectors and creates clear expectations of major Hunter employers undertaking closure or large-scale retrenchments.

While there will always be situation-specific circumstances for major employers, for those sectors where change can be clearly anticipated, there is a need for a commonly recognised set of expectations of how workers are supported. Experiences across plant and mine closure over the past decades have exposed a large variation in the provision of worker support.

A standard could cover principles such as transparency, consultation, adequacy of funding, maximised notice periods, communication, and site rehabilitation commitments. More specific guidelines on evidence-based forms of assistance, such as tailored and well-timed retraining assistance, career and financial advice, and quality and accessible counselling support for workers and families, would also be important inclusions.

Development of a standard could be undertaken by a multi-stakeholder regional authority, or through the Memorandum of Understanding approach taken by, for example, the Australian Manufacturing Workers Union and Synergy (owner in Muja Power Station) in Collie, W.A.

