ECONOMIC BRIEFING – JULY 2026

NSW State Budget: Regional workforce development

Key finding

As the wider Hunter region economic reshaping accelerates, the workforce conversation must shift beyond jobs and skills. The region already has low unemployment and persistent labour shortages.

While the NSW Budget's investment in skills training is welcome, the evidence suggests the workforce capacity also depends on whether people can enter, remain and progress through the workforce pipeline.

Context

Every budget tells a story about the future. This year’s NSW Budget rightly invests in the supply side of workforce development. Continued support for TAFE NSW, investment in vocational education and training, apprenticeship pathways, and the development of Manufacturing Centres of Excellence in the Hunter and Illawarra demonstrate a commitment to strengthening the state's future skills base. Regional workforce initiatives and economic transition programs also recognise the changing nature of employment across communities experiencing industrial transformation.

However, supply-side investment alone cannot resolve labour shortages if workforce capacity continues to leak from the system through weak youth attachment, constrained working hours, premature workforce exit and underutilised disability participation.

This is the question at the centre of the Institute for Regional Futures’ 8 July Hunter Insight Series event, The Transition Blind Spot: Who is Missing from the Workforce Pipeline?

Rather than asking whether enough people are entering education and training, the more useful question is whether the systems connecting people to jobs are working well enough at each point along the pipeline.

> ***"The Hunter's workforce challenge is no longer simply about producing more jobs or more skilled workers. It is about ensuring people can successfully move through the workforce pipeline—from education to employment, through their working lives, and into the opportunities being created by regional transition."***
> — Institute for Regional Futures

Implications

Headline numbers conceal workforce capacity gaps

The Institute for Regional Futures’ analysis of the wider Hunter regional labour market finds unemployment is low and converging with Sydney (2026 YTD average 4.5%), yet vacancies remain persistently elevated relative to Sydney. Persistent vacancies despite low unemployment suggest workforce constraints extend beyond the number of available job seekers.

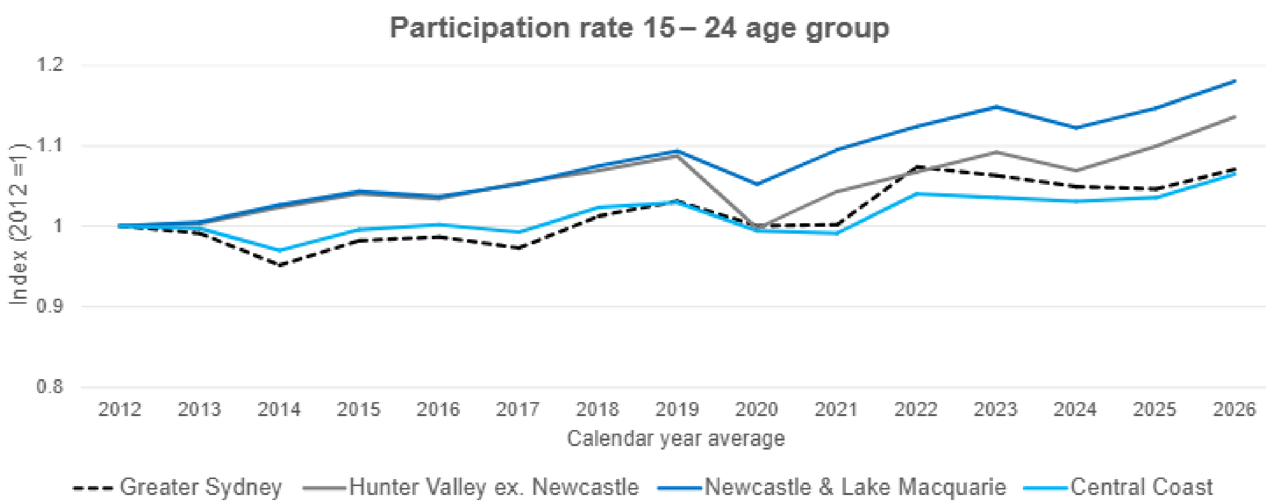
Labour shortages are often discussed as though the workforce is a single pool of available workers. In practice, workforce capacity is shaped by how effectively people move through the workforce pipeline, from education and training into work, through prime working age, and into later-career employment. Looking at the labour market through this lens reveals that capacity constraints are occurring at multiple transition points, many of which sit outside traditional skills policy.

Youth attachment is uneven across the region

COVID disrupted youth labour force attachment differently across Hunter sub-regions. While all areas have since recovered, participation amongst 15–24-year-olds in the Hunter sub-region remains persistently below Newcastle and Lake Macquarie.

Given early workforce attachment shapes lifetime participation, apprenticeship and TAFE investment will only convert into workforce capacity if young people are attached to the labour market early enough to use those pathways.

Figure 1: Youth entry to the workforce

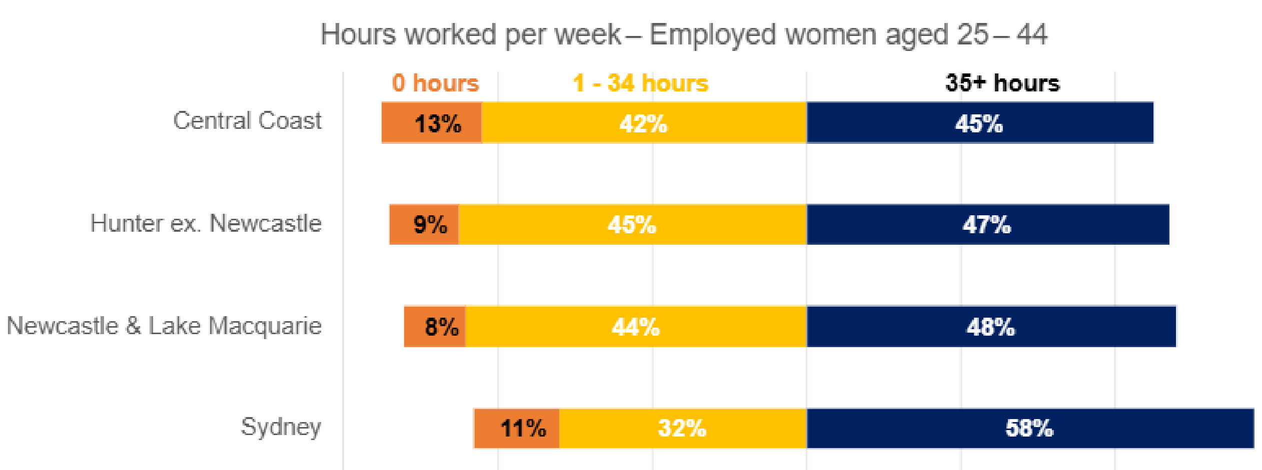


Source: ABS Modelled Estimates of Labour Force Status by SA4 (6291.0.55.001)

The largest constraint sits in prime working age: women's hours

The largest unrealised source of workforce capacity sits in women's labour supply. Approximately half of employed women aged 25–44 across the Hunter, Central Coast and Newcastle/Lake Macquarie work fewer than 35 hours per week, compared with around one-third in Sydney.

Figure 2: Prime working age women's hours



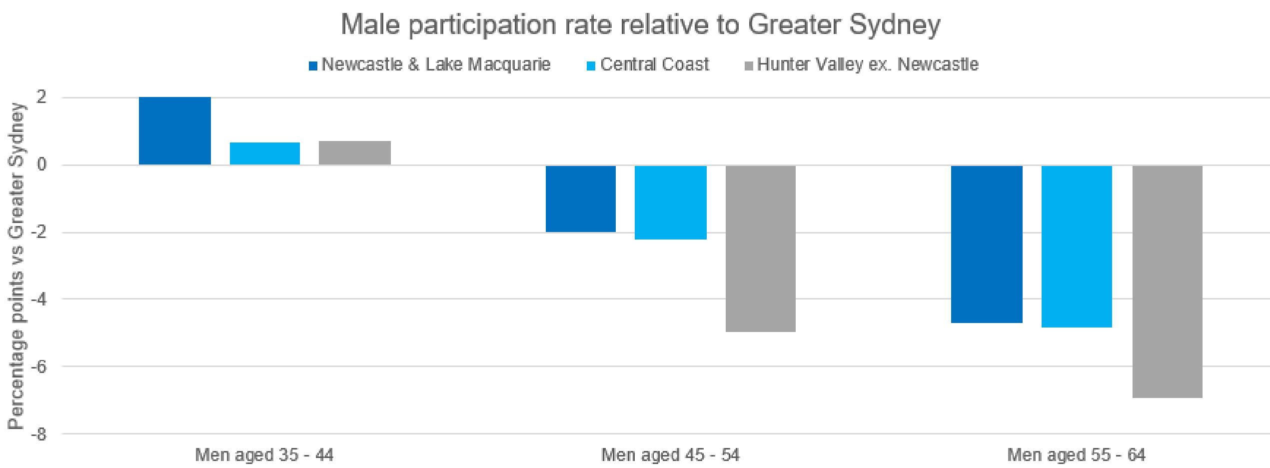
Source: ABS Modelled Estimates of Labour Force Status by SA4 (6291.0.55.001), 2026 average

This reflects workforce capacity that is already present but not fully utilised, often shaped by childcare availability, transport services and workplace flexibility. While official data does not recognise unpaid contributions part-time workers make to child raising and community resilience, increasing workforce attachment and hours among women may provide an important pathway to workforce growth alongside training investment.

Men are exiting the workforce earlier, taking experience with them

Male participation drops sharply with age in the Hunter relative to Sydney, most pronounced from age 45 onward in the Hunter ex. Newcastle. Experienced workers are leaving the system before that experience can be redeployed into transition-related industries — a loss that training pipelines cannot replace on relevant timeframes.

Figure 3: Older male working age group participation

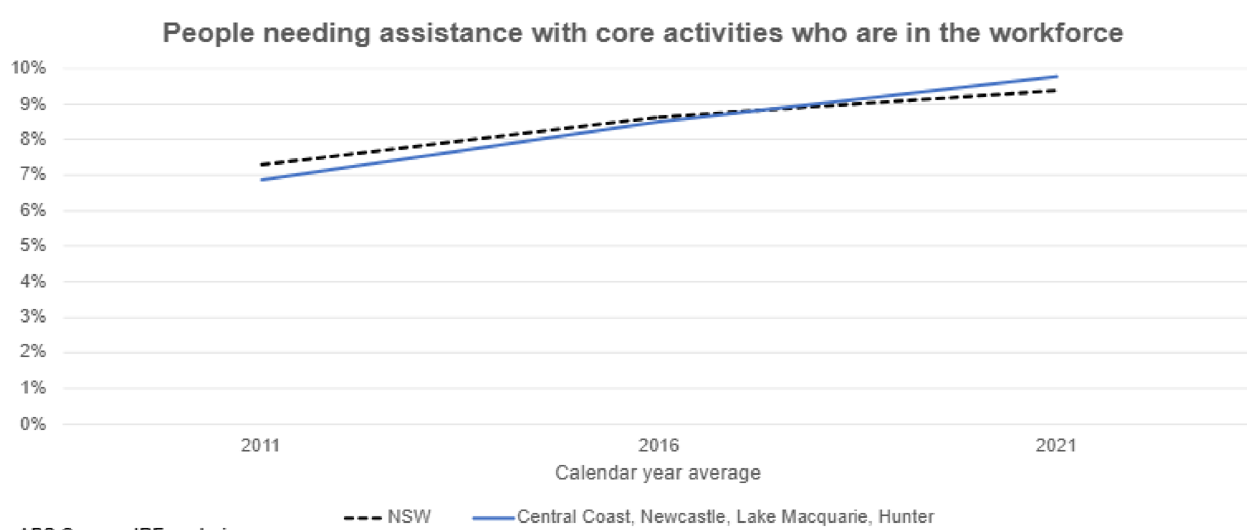


Source: ABS Modelled Estimates of Labour Force Status by SA4 (6291.0.55.001), 2026 average

Disabled worker capacity remains underused

Participation by people with a disability may represent one of the region's largest untapped workforce opportunities. Despite growth in employment among people with disability over the past decade, participation remains well below its potential. Fewer than one in ten people who need assistance with core activities are in the workforce, and this group is a smaller share of the regional workforce than the NSW average (1.2% versus 1.8%).

Figure 4: Workforce participation by workers with disability



Source: ABS Census, IRF analysis

Given the wider Hunter region has an above-state-average NDIS participant base, this suggests a substantial, currently untapped pool of workforce capacity sitting outside conventional training pipelines.

Why this matters now

The wider Hunter region is simultaneously managing energy transition, population growth, major infrastructure delivery and industrial transformation. Each depends on workforce availability. The risk is that substantial investment in skills, training and economic development is directed into a workforce system where participation bottlenecks remain unresolved. In that environment, labour shortages persist even as training opportunities expand.

The workforce challenge facing the Hunter is not simply how many people can be trained. It is how effectively the region converts its existing population into workforce capacity. That requires attention to the transition points where people disengage, reduce participation or face barriers to employment.

The NSW Budget has strengthened the supply side of the equation. The next challenge is ensuring the workforce pipeline itself is functioning effectively. If regional transition is to succeed, workforce policy must focus not only on producing skills, but on ensuring people can move successfully into, through and within the workforce. The future workforce is already here; the challenge is enabling greater participation.

How to get more information

The Institute for Regional Futures' 8 July Hunter Insight Series event, **The Transition Blind Spot: Who is Missing from the Workforce Pipeline?**, will present this analysis in full and bring together leaders from education, industry, government and community to discuss what practical action can strengthen workforce pathways across the region.

When: 8 July, 7.30am - 9am

Where: NUSpace, corner of Auckland and Hunter Streets, Newcastle

Register:

IRF is the only organisation currently providing this level of regional labour market diagnostic for the wider Hunter and Central Coast. Journalists seeking additional regional data or comment should contact IRF via the University of Newcastle's media team.

This briefing draws on IRF analysis of ABS Modelled Estimates of Labour Force Status by SA4 (6291.0.55.001), Jobs and Skills Australia Internet Vacancy Index, and ABS Census 2011–2021 data on disability and workforce participation.