

A strategy for the post-pandemic future not the industrial past

Submission to Economics and Governance Committee, Queensland Parliament

Over the course of the 21st century, Australia's society and economy have undergone on a process of radical transformation. Many aspects of this process will be accelerated by the Covid-19 pandemic, and the necessary responses.

Technological change, particularly in information technology and communications has rendered the 20th century industrial economy, focused on transforming primary products into manufactured goods, obsolete. In its place is emerging knowledge economy in which the capacity to manage and use information will be crucial. In particular, the rise of various forms of remote work will reduce the importance of transport and transport infrastructure, which played the leading role in the rise of the industrial economy. Information technology and remote work have played a crucial role in our capacity to manage the pandemic.

Environmental challenges, of which the most significant relate to global warming have created the need for a radical transformation of the energy sector. If catastrophic global warming is to be avoided, the economy must be completely decarbonized by 2050. The leading sector in this respect is electricity generation, where the imperative is to end coal-fired power generation by 2030 in EU and OECD countries and by 2040 globally. In the course of the pandemic, the use of coal-fired electricity has dropped sharply. while investment in renewables has dropped sharply.

Finally, the dominant economic ideology of the late 20th century, based on market-oriented reform has proved ill-suited to the needs of the 21st century. Recovery from the Global Financial Crisis was still incomplete when the pandemic emerged, necessitating a massive increase in government intervention to rescue the economy. In particular, wage growth remained sluggish and interest rates were at or near zero in most countries. A return to the conditions seen as normal before the GFC will not take place for some years, if it ever happens.

If we are to manage our recovery from the Covid-19 pandemic, it is critically important for national and state governments to re-examine basic assumptions about how the economy works now and will work in the future. The central focus of this re-examination must be on the radical changes implied by the pandemic for our economy and society. These changes will be particularly acute in relation to health and social services, education, the environment, tourism and recreation, and in relation to the way we work, including security of employment, remote working and non-market work.

Unfortunately, as it stands, the Queensland Economic Recovery Strategy is a backward looking document that takes almost no account of the transformation of the 21st century economy by information technology, let alone of the radical change in our circumstances created by the Covid-19 pandemic.

The purpose of this submission is to point to areas of the economy that should be the central focus of a recovery strategy and to suggest some elements of such a strategy,

The Queensland Economic Recovery Strategy

The Queensland Economic Recovery Strategy begins with lists of “traditional strengths” and “emerging strengths” of the Queensland economy. This list is very similar to the “four pillars” strategy put forward by the Newman government, and a major step backwards from the “Smart State” model of the Beattie government.

20th century strengths

The list of “traditional strengths” consists mostly of industries that were major employers in the 20th century, but are now peripheral in this respect. According to the 2016 census, resources, manufacturing and agriculture account for 11 per cent of total employment between them, compared to 13 per cent for health care and social assistance, the largest single sector. Construction accounts for about 9 per cent of total employment, similar to education and training, and less than retail trade.

Moreover, these industries have been largely unaffected by the Covid-19 pandemic, and, in the absence of a deeper global recession, are likely to remain largely unscathed. While some

industries, such as the energy sector will require radical changes, these are best addressed by a specific plan for transformation, rather than as part of a recovery strategy. In any case, the fast tracking of a major new coal mine suggests a policy of uncritical developmentalism rather than a strategic response to the imperative of decarbonization.

The list of traditional strengths includes two sectors, tourism and international education, which have been severely affected by the pandemic. Some measures are proposed in relation to tourism. Education is not mentioned except in relation to apprenticeships, again reflecting an anachronistic focus on the 20th century industrial economy.

Emerging strengths

The list of emerging strengths follows the same pattern, focusing almost exclusively on minerals and energy. Three new energy sources (renewables, hydrogen and biofuels) are listed, along with minerals (also listed as a traditional strength under resources) and mining equipment. As already noted, a transformation of this sector is needed, but it should be the subject of a comprehensive energy policy, not the core of a strategy for economic recovery.

The remaining sectors listed are “screen industry, arts and major events”, “defence” and “biomedical and health” (clarified subsequently to refer to advance manufacturing, rather than to the provision of health services). Of these, only the arts sector is likely to be a significant employer. Employment in defence industry is estimated at between 10 000 and 30 000 for Australia as a whole, suggesting that Queensland’s share can be no more than a few thousand jobs.

Expenditure plans

The distortion of priorities in the current strategy is evident in the list of expenditure items. The overwhelming focus is on construction and transport infrastructure.

Measures focused on sectors directly affected by the pandemic are very limited, and mostly focused on services to the industrial economy. They comprise

Arts and culture: \$23 million

Tourism: \$31 million, \$9 million of which is on infrastructure

Education:\$24 million for training for energy and construction

Communications and the digital economy: \$10.5 million for agriculture

Health services: Nil

Social services: Nil

This neglect contrasts sharply with the large number of programs aimed at the industrial economy.

The missing sectors

To formulate a serious strategy for economic recovery, it is necessary to consider the large share of the economy (approximately 80 per cent of all employment) that is not taken into account in the current strategy, and particularly those areas most directly affected by the pandemic and the trends it has accelerated.

In the absence of a fully effective vaccine, it is likely that our health care sector will require a substantial expansion, with a permanent increase in capacity for public health functions such as testing, screening and contact tracing. We will also require expansion of a wide range of social services to deal with various forms of economic, social and psychological distress arising from the pandemic. Yet the sole reference to health is the suggestion of “attracting industry to grow the Queensland’s advanced manufacturing capacity, particularly biomedical and health”.

The report does not mention school education, a central function of the state government. But given the likelihood of regular school closures, and the possibility of future lockdowns, the development of initiatives to improve online learning, manage disrupted education and protect students and teachers from pandemic illness is of crucial importance. It is true that the present pandemic has largely spared children from its effects, and has not been spread primarily through schools. However, the opposite is likely to be true of a future influenza pandemic.

Retail trade is also likely to undergo radical transformation, including, for example, an accelerated shift to online shopping and home delivery. The strategy does not mention this sector.

The shift to remote working and online service delivery implies a fundamental realignment of our way of work and life, with communication replacing travel across a wide range of activities. This requires careful consideration.

Gender issues

The effects of the Covid-19 pandemic has been felt most severely by women workers. However, the recovery strategy is overwhelmingly directed towards industries where employment is dominated by men. Perhaps as a result, there is no evidence of any consideration of the way in which continued social distancing and periodic restrictions will effect families where women commonly bear primary responsibility for child care while also in paid employment.

Conclusion

The Covid-19 pandemic will accelerate radical changes that have already transformed our economy and society and will do so further in the future. We need a recovery strategy that embraces positive aspects of these changes, while dealing with the many negative effects of the pandemic. Such a strategy must have health, education and human services as a central focus, and must deal with the massive changes being wrought by the development of information and communications technology.