

Report No. 2, November 2009

*Inquiry into identifying world's best practice by governments  
to effectively stimulate employment opportunities in  
Queensland*





# **Economic Development Committee**

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Inquiry into identifying world's best practice by  
governments to effectively stimulate  
employment opportunities in Queensland

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**November 2009**



# Economic Development Committee

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Member for Waterford

**Ms Fiona Simpson MP, Deputy Chair**

Member for Maroochydore

**Ms Tracy Davis MP**

Member for Aspley

**Ms Jan Jarratt MP**

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**Mr Jason O'Brien MP**

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## Foreword

The challenge of building an economy to create employment opportunities has been central to the work of government in developed nations in the twentieth and twenty-first centuries.

The costs of unemployment are diverse and not always easy to clearly identify and measure. While the financial costs of unemployment are often evident, the social costs are likely to be greater and more difficult to quantify and address. That is why employment creation must be a key priority for any government.

With the global financial crisis upon the Queensland economy, the Economic Development Committee's inquiry into world's best practice in employment creation provides an important opportunity to review job creation in Queensland and consider how government can provide job opportunities in a twenty-first century economy.

The committee heard evidence from a wide cross-section of stakeholders: from business and industry groups, unions, community organisations and local government. I wish to thank those groups and individuals who took the time to make submissions and contribute to the committee's public hearings.

The committee's recommendations recognise that a multi-faceted policy response is vital to promoting employment opportunities. Employment creation requires a skilled workforce, innovative industry and reduced regulatory barriers to business growth.

The recommendations also recognise the diverse nature of the Queensland economy. The challenges in creating employment opportunities throughout this vast state are varied and government policy must be tailored to reflect these regional differences.

The committee would like to record its appreciation for the assistance provided by the secretariat and all of the Parliamentary Service staff who have provided professional and dedicated support for the committee's work throughout this inquiry.

Finally, I wish to thank the other members of the Economic Development Committee of the 53rd Parliament for their consideration, deliberation and contribution to this inquiry and this report.



Evan Moorhead MP

Chair



## TABLE OF CONTENTS

PART 1 - INTRODUCTION.....	1
The Economic Development Committee.....	1
Inquiry terms of reference .....	1
Inquiry process.....	1
Responsibility of Ministers.....	2
PART 2 – UNEMPLOYMENT.....	3
Unemployment in Queensland .....	3
Regional unemployment.....	5
Skilled and unskilled employment .....	6
Gender.....	7
At-risk groups.....	8
Youth unemployment .....	8
Mature age unemployment .....	9
Indigenous unemployment .....	10
Long term unemployment and social barriers to employment.....	11
Hidden unemployment.....	12
Underemployment.....	13
Work available.....	14
Costs of unemployment .....	16
PART 3 – EMPLOYMENT PROGRAMS .....	19
International examples of crisis recovery packages and the associated costs .....	19
International Labour Organization .....	19
International examples of employment programs .....	21
Employment programs in other Australian states .....	22
The Queensland Government's current employment programs.....	23
Jobs First .....	24
Jobs Assist Program.....	25
Skilling Queenslanders for Work.....	26
Young people .....	26
Mature aged people .....	27
Indigenous people.....	27
Disadvantaged job seekers and the long term unemployed .....	30
Job Guarantee program.....	32
Women.....	33

Regional employment .....	33
Working with the Commonwealth Government .....	35
PART 4 – SKILLS REQUIREMENTS .....	37
Skills shortages.....	37
Skills requirements .....	39
Skills development at school .....	40
Combining work and study.....	42
Training in the workplace .....	43
Generic skills.....	43
Apprenticeships and traineeships.....	45
Retaining scientists and researchers in higher education institutes.....	50
Skilled migration .....	51
Regionally specific considerations .....	52
Industry specific skills shortages.....	53
PART 5 – INNOVATION.....	55
Innovation in Australia.....	56
Business innovation .....	58
Financing and other support for micro and SMEs .....	59
Industry clusters.....	60
Queensland Government’s innovation programs .....	60
Smart State Strategy.....	60
Department of Employment, Economic Development and Innovation.....	61
QMI Solutions Limited.....	62
Australian Institute for Commercialisation (AIC) .....	63
Business incubator and accelerator programs.....	64
Innovation assistance for SMEs.....	65
PART 6 – REGIONAL AND INDUSTRY CONSIDERATIONS .....	67
Regional planning .....	67
Regional statistics .....	68
Queensland's regional landscape.....	69
Urban areas.....	69
Outer urban areas .....	70
Regional areas.....	70
Remote/rural areas.....	71
Regional land use and infrastructure planning and economic development .....	73
Integrating skills requirements into regional plans.....	73

Australian Government's economic programs for regional Australia.....	74
Promoting cooperative research centres in regional areas .....	75
Queensland Government's approach to regional development .....	75
Sustainable Resource Communities Policy .....	76
Industry development and promotion .....	76
Queensland Government programs for industry development and promotion .....	77
Queensland's competitive advantages and new and emerging industries .....	78
Industry clusters.....	80
Centres of enterprise .....	82
Queensland Government's Local Industry Policy .....	82
Local Industry Participation Plans .....	83
Monitoring and enforcement of Local Industry Participation Plans .....	84
Role of the Industry Capability Network (Queensland) .....	84
Criticism of the enforcement of the Local Industry Policy .....	84
Unbundling of projects.....	86
The role of local government in regional economic development .....	87
Climate change.....	92
<b>PART 7 - GOVERNMENT REGULATION AND ITS IMPACT ON ECONOMIC GROWTH &amp; RECOVERY .....</b>	<b>95</b>
The need for reviewing government regulations .....	96
Measuring the cost of regulation.....	98
Queensland.....	99
Accountability - Regulatory Impact Statements .....	100
Cost for government of enforcing and administering regulation.....	103
The costs of reform.....	103
Micro and small to medium enterprises .....	103
International improvements in regulation.....	105
Queensland Government's actions in improving regulation.....	105
Impact of other Australian reform agendas.....	106
Suggestions to improve regulatory efficiency within Queensland .....	107
Consultation with business and industry .....	108
<b>PART 8 - SUMMARY .....</b>	<b>111</b>
Unemployment.....	111
Employment programs .....	111
Skills requirements .....	112
Innovation .....	112
Regional and industry considerations.....	113

Regulation .....	114
APPENDIX A - ADVERTISEMENT CALLING FOR SUBMISSIONS.....	117
APPENDIX B – LIST OF SUBMISSIONS.....	119
APPENDIX C – PUBLIC HEARING WITNESSES.....	121
Public hearing held on 4 September 2009 in the Undumbi Room, Parliamentary Annexe.....	121
Public hearing held on 18 September 2009 in the Premiers' Hall, Parliamentary Annexe.....	123
APPENDIX D – ADVERTISEMENTS FOR PUBLIC HEARINGS.....	125
APPENDIX E - S.107 OF THE PARLIAMENT OF THE QUEENSLAND ACT.....	127
STATEMENT OF RESERVATIONS.....	129

## FIGURES

Figure 1:	Unemployment rates, trend, Queensland and Australia, August 1999 to August 2009 .....	4
Figure 2:	Employment rates by level of qualification, Australia, May 2008 .....	6
Figure 3:	Underemployment rates for Queensland and Australia, May 2004 to May 2009 .....	13
Figure 4:	Employed persons, selected industries, Queensland, August quarter 2008 to August quarter 2009 ('000) .....	15
Figure 5:	A model of generic skills.....	44
Figure 6:	Apprentice in-training and unemployment rates, Australia, 1966 to 2008 .....	46
Figure 7:	Local government perception of their role in promoting and facilitating local and regional economic development .....	88

## TABLES

Table 1:	Unemployment and participation rates by region in Queensland (not seasonally adjusted), June quarter 2009 .....	5
Table 2:	Youth labour market conditions, Queensland, June 2009 .....	9
Table 3:	Mature age labour market conditions, Queensland, June 2009 .....	10
Table 4:	Employment in the mining industry, number of persons, Queensland, May quarter 2008 to May quarter 2009 .....	16
Table 5:	Definition of skills shortages .....	37
Table 6:	Projected skills shortages, Queensland, January 2009.....	38
Table 7:	Number of regulatory instruments and pages, Australian jurisdictions, 30 June 2007 .....	97



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## ABBREVIATIONS

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Ai GROUP	Australian Industry Group
AIBN	Australian Institute for Bioengineering and Nanotechnology
AIC	Australian Institute for Commercialisation
ALMP	active labour market program
AMWU	Australian Manufacturing Workers' Union
CBCC	Commonwealth Business Cost Calculator
CCIQ	Chamber of Commerce and Industry Queensland
CDEP	Community Development Employment Projects
COAG	Council of Australian Governments
CofFEE	Centre of Full Employment and Equity
CRC	cooperative research centres
DEEDI	Department of Employment, Economic Development and Innovation
GFC	global financial crisis
ICT	information and communication technology
ILO	International Labour Organization
KYDA	Kurbingui Youth Development Association
MAGIC	Mature Aged Workers Giving In Care
MEGS	Gateway Schools to the Manufacturing and Engineering industry
NCVER	National Centre for Vocational Education Research
nfd	not further defined
OECD	Organisation for Economic Co-operation and Development
QCAT	Queensland Centre for Advanced Technologies
QORE	Queensland Office for Regulatory Efficiency
R&D	research and development
RDA	Regional Development Australia
RIS	regulatory impact statements
RRT	rapid response teams
PIP	Participate in Prosperity
SIA	<i>Statutory Instruments Act 1992 (Qld)</i>
SME	small and medium enterprises
SQW	Skilling Queenslanders for Work
The committee	The Economic Development Committee
UK	United Kingdom
US	United States of America
VET	Vocational Education and Training



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## RECOMMENDATIONS

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**Recommendation 1 (page 26):** The committee recommends that, where employees and employers have agreed to reduce working hours to protect employment during economic downturns, the Queensland Government work with industry and unions to support training programs for these employees particularly those employed in small and medium enterprises.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 2 (page 30):** The committee recommends the Queensland Government ensures Indigenous employment and training programs are coordinated across levels of government and provide local solutions to local needs.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 3 (page 35):** The committee recommends that, following a return to better economic conditions, the Queensland Government reviews its employment policies and programs and their impacts on Queensland employment opportunities to inform policies in preparation for future economic downturns that require a quick policy response.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 4 (page 40):** The committee recommends the Queensland Government undertakes formal and long term planning for skill development, tailoring skills programs to regional and industry requirements.

Ministerial Responsibility: Minister for Education and Training

**Recommendation 5 (page 41):** The committee recommends the Queensland Government develops programs to ensure Queensland schools are providing young people with the knowledge and skills for new and emerging industries. Some programs should include partnerships with industry to facilitate the transition from school to employment.

Ministerial Responsibility: Minister for Education and Training

**Recommendation 6 (page 49):** The committee recommends the Queensland Government investigates further possible responses to the decline in apprenticeship training arrangements including: changes to incentive arrangements; re-invigorating pre-apprenticeship programs; increasing public sector training; supporting best practice in group training companies and improving multi-employer coordination; and during times of economic decline, using a more institutional approach for apprenticeship training in order to minimise the cyclical fall in traditional apprenticeships.

Ministerial Responsibility: Minister for Education and Training

**Recommendation 7 (page 49):** The committee recommends the Queensland Government reviews the enforcement regime for the 10 per cent Training Policy and report on the effectiveness of this policy in increasing the number of apprenticeships and trainees.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 8 (page 52):** The committee recommends the Queensland Government regularly monitors the need for skilled migration and ensures skilled migration does not replace the training and education of local workers.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 9 (page 53):** The committee recommends the Queensland Government reviews learning opportunities for individuals living in regional areas to ensure flexible delivery options are provided in order to maximise these opportunities.

Ministerial Responsibility: Minister for Education and Training

**Recommendation 10 (page 64):** The committee recommends the Queensland Government investigates the feasibility of establishing a state-wide capability data warehouse in order to improve the links between industry and research institutions.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 11 (page 65):** The committee recommends the Queensland Government encourages and supports the development of business incubator and accelerator organisations based at regional universities within Queensland.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 12 (page 66):** The committee recommends the Queensland Government investigates best practice methods of providing additional support targeted to small and medium enterprises for business innovation and technology diffusion.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 13 (page 72):** The committee recommends the Queensland Government encourages local employers to employ and train local workers and graduates to meet the employers' short term and long term employment needs.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 14 (page 74):** The committee recommends the Queensland Government develops an economic development action plan and a skills action plan for every area of the state and that these plans align with the regional plan for the particular area.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 15 (page 80):** The committee recommends the Queensland Government reviews the Smart Industry Policy and associated documents in order to categorise the 15 key industries into three categories as follows:

- Globally competitive industries with significant infrastructure requirements and high barriers to entry;
- Regionally significant industries; and
- Industries with low barriers to entry.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 16 (page 80):** The committee recommends the Queensland Government identifies sub-sectors within the key industries in order to target government resources more effectively.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 17 (page 86):** The committee recommends the Queensland Government reviews the implementation of the Local Industry Policy with specific reference to ensuring the aims of the policy are met and that Local Industry Participation Plans are submitted in a timely manner and are complied with by contractors.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 18 (page 87):** The committee recommends the Queensland Government liaises with regional economic development boards and business groups to facilitate the ability of local suppliers to have the capacity to tender for government projects and create alliances.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 19 (page 87):** The committee recommends the Queensland Government reviews the way projects are packaged to increase opportunities for local businesses and industries to tender on projects.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 20 (page 91):** The committee recommends the Queensland Government, in conjunction with the local government sector, develops more defined purchasing guidelines for local government and assists in the provision of training regarding these guidelines.

Ministerial Responsibility: Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships

**Recommendation 21 (page 91):** The committee recommends the Queensland Government undertakes research to identify which industry sectors have a historically low participation rate in applying for local government tenders and to identify opportunities for local businesses to make use of government procurement.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 22 (page 91):** The committee recommends the Queensland Government considers the feasibility of encouraging smaller local governments to cooperate with neighbouring local governments in order to develop a regional economic development approach.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 23 (page 92):** The committee recommends the Queensland Government considers providing funding for local governments not currently undertaking economic development activities, and if they are not funded through a broader regional economic development group, provide funding to promote strong local government economic development programs.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development and Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships

**Recommendation 24 (page 92):** The committee recommends the Queensland Government includes local government as a partner in developing regional employment creation plans.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 25 (page 103):** The committee recommends the Queensland Government reviews its approach to measuring the costs of regulation to consider the number of specific requirements or actions that each regulation imposes on business and the cumulative impact on businesses and the wider community.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 26 (page 109):** The committee recommends Queensland Treasury strengthens public consultation on new regulations, including providing better information to business on how they can contribute to making regulation.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 27 (page 110):** The committee recommends Queensland Treasury creates an integrated communication strategy for its Smart Regulation Reform Agenda so stakeholders have a greater understanding of the objectives of the reform agenda, its achievements in reducing regulatory burden and the consultation process undertaken.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development

**Recommendation 28 (page 110):** The committee recommends the Queensland Government investigates methods of ensuring the regulatory compliance burden on Queensland businesses does not increase once the review of regulation is completed.

Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development



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# PART 1 - INTRODUCTION

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## The Economic Development Committee

1. The Economic Development Committee (the committee) is a select committee of the 53<sup>rd</sup> Queensland Parliament established by motion of the House on 23 April 2009. The role of this committee is to monitor and report on issues in the policy areas of employment, infrastructure, transport, trade, industry development, agriculture and tourism.

## Inquiry terms of reference

2. When the Queensland Parliament established the committee, they also referred an inquiry to the committee. The House required the Economic Development Committee to identify world's best practice by governments to effectively stimulate employment opportunities to ensure that Queensland is well positioned to create employment opportunities in readiness for an economic upturn. In undertaking this inquiry, the committee was required to consider established and new and emerging industries, and specifically:
  - (a) Queensland's significant science, research and technology infrastructure;
  - (b) Queensland's natural resources;
  - (c) Areas in which Queensland has a demonstrated comparative advantage;
  - (d) The current and future skills requirements of the Queensland economy; and
  - (e) The impact of regulation on economic growth and recovery.
3. The committee was required to report to the Legislative Assembly by 30 October 2009.
4. On 1 September 2009, the Legislative Assembly extended the reporting date from 30 October 2009 to 26 November 2009.

## Inquiry process

5. The committee released an issues paper, Issues Paper No. 1: Inquiry into identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland, on 8 July 2009 to promote informed discussion and encourage submissions. The committee published the issues paper on its website and distributed 800 copies to interested groups and individuals. The committee also placed an advertisement in *The Courier Mail*. A copy of the newspaper advertisement is attached as Appendix A.
6. The committee wrote to 495 individuals and organisations inviting them to make a submission. In order to ensure that the committee considered international best practice, these invitations included 15 to international stakeholders. Submissions could be made in the form of a letter, fax, email or an electronic submission form on the committee's website. Forty-eight individuals and organisations made submissions to the committee's inquiry. A list of these organisations and individuals is included in Appendix B. The committee agreed to keep two submissions confidential.
7. The committee met informally with several stakeholders to explain the terms of reference and briefly discuss relevant issues. The committee met with representatives from the Department of Employment, Economic Development and Innovation (DEEDI), the Australian Industry Group (Ai Group), the Australian Manufacturing Workers' Union (AMWU), the Salisbury Research Centre and the Australian Institute for Commercialisation (AIC), as well as Queensland's Chief Scientist, Professor Peter Andrews AO.
8. On 7 August 2009, the committee inspected two science facilities, the Queensland Centre for Advanced Technologies (QCAT) and the Australian Institute for Bioengineering and Nanotechnology (AIBN). The committee's visit to QCAT coincided with the centre's Innovation and Excellence Day.

9. The committee collected further evidence at public hearings held in the parliamentary precinct on 4 September 2009 and 18 September 2009. Witnesses that provided evidence at the hearings included individuals appearing in their private capacity, Members of Parliament, Queensland Government departments, economists, unions, employer and industry groups, innovation organisations, Indigenous employment organisations, skills organisations and local councils. A full list of witnesses is attached at Appendix C. A copy of the advertisements for the public hearings is at Appendix D.
10. The terms of reference for this inquiry cover a broad range of matters for the committee's consideration. Although the House granted the committee an extension of one month to finalise the report, it has been difficult to consider all matters to the extent preferred by the committee.
11. In some respects the report is not as comprehensive as the committee would have liked. These are matters that the committee may consider further during the term of the 53<sup>rd</sup> Parliament.

### **Responsibility of Ministers**

12. This report makes recommendations for the Queensland Government to implement. Section 107 of the *Parliament of Queensland Act 2001* requires the responsible Ministers to respond to these recommendations within three to six months of the report being tabled. A copy of this section of the Act is at Appendix E.

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## PART 2 – UNEMPLOYMENT

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13. Over the past decade, the Queensland economy experienced an extended period of vigorous economic growth driven by a boom in commodity exports, housing and commercial infrastructure investment activity, net population inflow to the state and a strong export performance.<sup>1</sup> Between 1986-1987 and 2007-2008, Queensland's economic growth averaged 4.5 per cent per annum.<sup>2</sup>
14. However, the Global Financial Crisis (GFC) has affected the Queensland economy with lower demand for Queensland's products from key export partners, lower domestic demand and slowed investment in the construction and mining sectors.<sup>3</sup> The GFC had its origins in weak governance and inadequate regulation of the finance markets of several industrialised countries.
15. The overt effects of the GFC include a downturn in business investment and trade as well as increasing unemployment. This in turn creates a weakening national balance of payments, decreases in exports and difficulty in meeting foreign debt servicing, currency depreciation and a downturn in the domestic economy. As a result of these factors, the International Labour Organization (ILO) estimates that there will be a global jobs crisis for up to the next six to eight years.<sup>4</sup>

### Unemployment in Queensland

16. As at August 2009, unemployment in Queensland rose to 5.7 per cent as a result of falling employment and population growth. As shown in Figure 1, this is the highest unemployment rate in Queensland since April 2004.<sup>5</sup> The year average unemployment rate is forecast to rise to 6.5 per cent in 2009-2010 before peaking at 7.25 per cent in 2010-2011.<sup>6</sup>
17. For Queensland, this will mean 175,000 people will be looking for work.<sup>7</sup> Despite signs of 'green shoots' in the Queensland economy, unemployment will continue to be a key challenge for Queensland over coming years.
18. Coupled with unemployment is the often hidden challenge of underemployment. Given that the Australian Bureau of Statistics defines a person as 'employed' if they undertake at least one hour of paid work per week,<sup>8</sup> labour market researchers believe the official measure of unemployment grossly underestimates the true number of people who are experiencing unemployment and underemployment.<sup>9</sup>

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<sup>1</sup> Queensland Government, *Submission No. 45*, 2009, p. 3.

<sup>2</sup> Office of Economic and Statistical Research cited in Queensland Government, *Submission No. 45*, 2009, p. 3.

<sup>3</sup> Queensland Government, *Submission No. 45*, 2009, p. 3.

<sup>4</sup> International Labour Office, *Tackling the global jobs crisis: Recovery through decent work policies*, International Labour Conference, 98<sup>th</sup> Session, Report I(A), Geneva, 2009, p. 2.

<sup>5</sup> Queensland Treasury, *Labour Force: August 2009*, Queensland Government, Brisbane, 2009, p. 1.

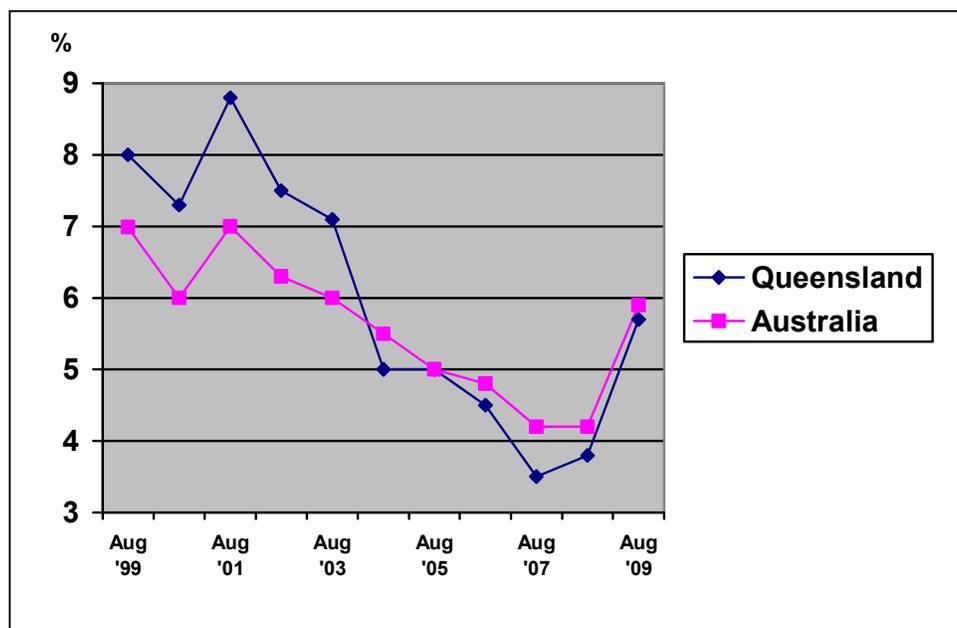
<sup>6</sup> Queensland Government, *State Budget 2009-10: Budget Strategy and Outlook*, *Budget Paper No. 2*, Queensland Government, Brisbane, 2009, p. 17.

<sup>7</sup> Queensland Government, *State Budget 2009-10: Budget Speech*, *Budget Paper No. 1*, Queensland Government, Brisbane, 2009, p. 2.

<sup>8</sup> Australian Bureau of Statistics, *Labour Force Australia*, Catalogue No. 6202.0, Australian Government, Canberra, September 2009, p. 35.

<sup>9</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 15.

**Figure 1: Unemployment rates, trend, Queensland and Australia, August 1999 to August 2009**



Source: Queensland Treasury. 2009 Labour Force: August 2009, Queensland Government, Brisbane, p. 1.

19. Professor John Mangan, in the Queensland Council of Social Service submission to the committee's inquiry, suggests that this economic downturn is different to previous downturns as the participation rate is remaining high. This may be as a result of the 'added worker effect' where other family members attempt to rejoin the workforce to compensate for the job loss or lower income of the primary breadwinner.<sup>10</sup> The high participation rate indicates that there will be less hidden unemployment than normally occurs in a downturn, making the costs of the downturn more visible.<sup>11</sup>
20. The participation rate is persons in the labour force as a proportion of the working age population and is an indication of the number of working age persons who are economically active.<sup>12</sup> The Queensland participation rate in August 2009 was 67.3 per cent. This is 0.4 per cent below the historic high participation rate reached in March 2009. This fall most likely reflects a small number of marginally attached workers no longer seeking employment.<sup>13</sup>

<sup>10</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, p. 4.

<sup>11</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, p. 4.

<sup>12</sup> The Treasury, *Intergenerational Report 2007*, Australian Government, Canberra, 2007, downloaded from <http://www.treasury.gov.au/igr/IGR2007.asp> on 16 September 2009.

<sup>13</sup> Queensland Treasury, *Labour Force: August 2009*, Queensland Government, Brisbane, 2009, p. 1.

## Regional unemployment

21. Unemployment is distributed on a very uneven basis across the states, regions and suburbs of Australia, and has become more pronounced in recent decades.<sup>14</sup> Although, the Queensland unemployment rate is 5.7 per cent, there is higher and lower unemployment in different regions around Queensland. As shown in Table 1, the highest rate of unemployment is in the Far North with 9.4 per cent.

**Table 1: Unemployment and participation rates by region in Queensland (not seasonally adjusted), June quarter 2009**

Region	Unemployment Rate		Participation Rate	
	Per cent	Annual Change (Per cent pts)	Per cent	Annual Change (Per cent pts)
Brisbane	4.8	1.8	69.5	.0
Brisbane City Inner Ring	4.4	1.9	73.6	-2.7
Brisbane City Outer Ring	4.6	1.4	68.5	-0.3
South and East Brisbane Balance	5.5	1.5	70.9	3.1
North Brisbane Balance	5.1	3.2	64.3	1.2
Ipswich City	5.1	0.6	68.4	0.2
Balance of Queensland	5.7	1.3	65.8	0.5
Gold Coast	5.5	1.0	65.6	0.3
Sunshine Coast	8.1	3.6	60.3	-1.6
West Moreton	4.6	0.7	61.3	-2.0
Wide Bay-Burnett	8.0	1.3	58.2	4.1
Darling Downs-South West	2.0	-0.3	67.0	1.2
Mackay-Fitzroy-Central West	4.7	0.2	69.6	1.0
Northern-North West	3.4	0.2	73.0	0.6
Far North	9.4	3.7	69.8	-1.2

Source: Adapted from Department of Education, Employment and Workplace Relations, *Australian Regional Labour Markets – June Quarter 2009*, Australian Government, Canberra, June 2009, p. 3.

22. However, there are also large differences within cities, such as the capital city of Queensland, Brisbane. Areas, generally outer urban areas, with a higher proportion of individuals who have a lower education level or who work in industries such as manufacturing, are at greater risk of high levels of unemployment.<sup>15</sup>
23. Researchers from the University of Newcastle and Griffith University predict existing socioeconomically disadvantaged locations will continue to suffer due to increasing job losses, and new localities will emerge as disadvantaged as a result of job losses.<sup>16</sup> The

<sup>14</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 27.

<sup>15</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 18.

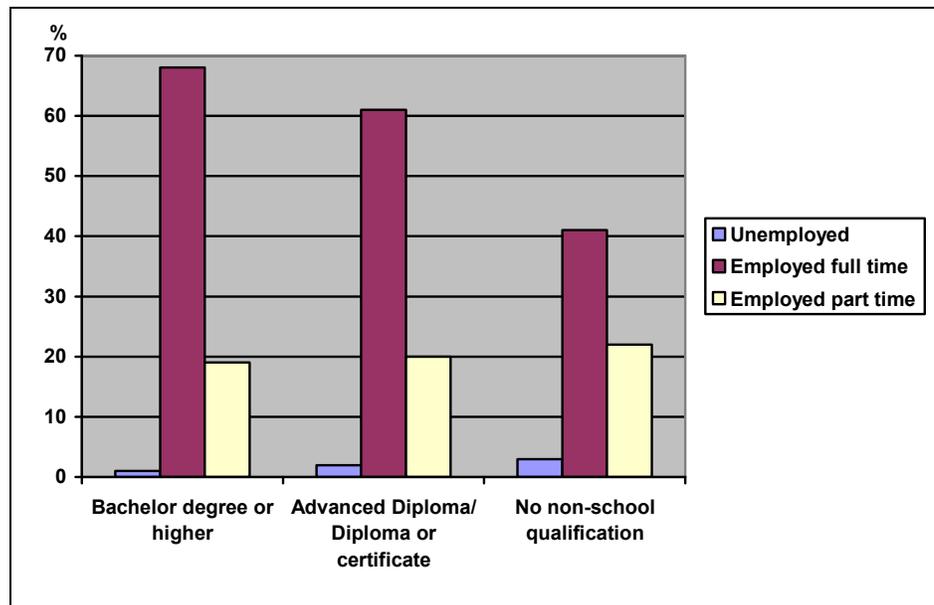
<sup>16</sup> S Baum and B Mitchell, *Red alert suburbs: An employment vulnerability index for Australia's major urban regions*, Centre of Full Employment and Equity, Newcastle, March 2009, p. 50.

disparities in employment between regions are related to the differential effect of structural change in the economy on the industries on which particular regions are reliant.<sup>17</sup>

### Skilled and unskilled employment

24. The unemployment rate is not spread equally across all categories of workers. Individuals with employment experience and higher education qualifications are more likely to move from unemployment to employment.<sup>18</sup>
25. The increase in competition for jobs, the introduction and use of new technology and changing employment patterns are rewarding those individuals with skills and credentials and disadvantaging those workers with a lower level of skill.<sup>19</sup> This is reflected by the fact that employment growth since the early 1980s for those with a post-school qualification has averaged 3.2 per cent per annum while for those without a post-school qualification it has averaged only 0.6 per cent.<sup>20</sup> As shown in Figure 2 below, individuals with a post-school qualification have lower levels of unemployment and are more likely to be employed full time.<sup>21</sup>

**Figure 2: Employment rates by level of qualification, Australia, May 2008**



Source: Adapted from Australian Bureau of Statistics, *Education and Work, Australia, May 2008*, No. 6227.0, Australian Bureau of Statistics, Canberra, 2009, downloaded from [www.abs.gov.au](http://www.abs.gov.au) on 9 June 2009.

<sup>17</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 29.

<sup>18</sup> N Carroll, *Explaining Unemployment Duration in Australia*, Discussion Paper 483, Australian National University Centre for Economic Policy Research, Canberra, December 2004, p. 11; pp. 14-15.

<sup>19</sup> Nickell and Bell cited in S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 25.

<sup>20</sup> Debelle and Swan cited in S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 26.

<sup>21</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 25.

26. Historically, Queensland has had a proportionally smaller number of individuals with post-school qualifications than other states and territories. In 2007, 20.7 per cent of all 25- to 64-year olds in Queensland held a bachelor degree or higher qualification compared with 24.1 per cent across Australia.<sup>22</sup>
27. The committee received advice that the provision of more training or education will not directly reduce unemployment during periods of downturn. This is because, while education increases an individual's probability of finding a job, it does not increase the number of jobs available. Therefore, without more jobs, providing education and training to individuals simply shuffles the place of people within the unemployment queue.<sup>23</sup>
28. This circumstance should be contrasted with labour market conditions, such as those seen in recent years, when skill shortages have impeded economic growth. The need for skilled employees will increase once the economy improves. However, historically employers have reduced their investment in skilling during economic downturns. This increases the likelihood of skills shortages as the economy begins to improve.<sup>24</sup> To prepare for the economic upturn, there is a need to maintain skills within each region, the state and Australia. Part 4 of this report discusses current and future skill development in greater detail.

## Gender

29. There are differences in employment patterns between men and women. Women more often face employment challenges such as gender representation in certain industries, managing career breaks and balancing work and caring commitments.<sup>25</sup> In December 2008, female participation in the Queensland labour force was 61 per cent; male participation was 73.8 per cent.<sup>26</sup>
30. Although women's participation in paid employment is more likely to involve part time or casual work,<sup>27</sup> their participation in full time employment has grown at over twice the rate of male full time employment since the late 1960s.<sup>28</sup> The greatest difference between the labour force participation rates of men and women occurs in the 25- to 44- year old group.<sup>29</sup> These years are when women are most likely to have children and build a career.
31. While female employment has increased, male unemployment has increased at a greater rate than female unemployment over the past few decades. Additionally, males are more likely to experience long term unemployment.<sup>30</sup> In Queensland, female unemployment was lower than male unemployment for over a decade from 1990-1991 to 2001-2002.

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<sup>22</sup> Australian Bureau of Statistics, *Australian Social Trends*, Catalogue No. 4102.0, Australian Government, Canberra, 2008, p. 89, downloaded from [www.abs.gov.au](http://www.abs.gov.au) on 18 June 2009.

<sup>23</sup> Junankar cited in S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 20.

<sup>24</sup> S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 10.

<sup>25</sup> Queensland Government, *Submission No. 45*, 2009, p. 23.

<sup>26</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 42.

<sup>27</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 42.

<sup>28</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 24.

<sup>29</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 42.

<sup>30</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 23.

32. Female unemployment has exceeded male unemployment for the past six financial years.<sup>31</sup> In 2007-2008, the unemployment rate for Queensland women was 4.2 per cent compared with 3.2 per cent for Queensland men and 3.7 per cent for all Queensland persons.<sup>32</sup>
33. The GFC is likely to impact on men and women differently, although the exact impact within countries differs. For instance, the job losses in the United Kingdom (UK) are greater for women while they are greater for men in the United States of America (US).<sup>33</sup> However, female employment tends to be focused in sectors, such as tourism, which tend to fluctuate with the economy.<sup>34</sup>
34. In recognition of the specific challenges faced by women, particularly those seeking to re-enter the workforce or enter male-dominated professions, the Queensland Office for Women offers two programs. These programs are the Smart Women – Smart State Strategy and Women in Hard Hats. The Smart Women – Smart State Strategy aims to increase women’s participation in Queensland’s emerging industries particularly in the science, engineering and technology fields. The Women in Hard Hats program promotes careers and participation for women in non-traditional employment in the mining and construction industries, as well as in the emerging science and technology fields.<sup>35</sup>

### **At-risk groups**

35. Particular groups of people, such as younger, mature and Indigenous workers, are more susceptible to unemployment, particularly during economic downturns. This section briefly discusses each of these groups.

### **Youth unemployment**

36. Young people are particularly at risk of unemployment during an economic downturn, and the decline in apprenticeship and traineeship commencements has significant impacts for young people, as well as the availability of skilled workers in the future.<sup>36</sup> Unemployment rates are highest among young people, although the amount of time that they spend unemployed is generally shorter than more mature age job seekers.<sup>37</sup> As shown in Table 2, the unemployment rate for 15- to 19-year olds in Queensland is 12.6 per cent while it is 6.1 per cent for 20- to 24-year olds.

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<sup>31</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 43.

<sup>32</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 43.

<sup>33</sup> C. Crown, *Gender Dimensions of the Economic/Financial Crisis*, External Forum on Gender and Development, Asian Development Bank, July 2009, p. 6, downloaded from [www.adb.org](http://www.adb.org) on 30 October 2009.

<sup>34</sup> R Antonopoulos, *The Current Economic and Financial Crisis: A Gender Perspective*, Working Paper No. 562, United Nations Development Programme, May 2009, p. 15.

<sup>35</sup> Queensland Government, *Submission No. 45*, 2009, p. 23.

<sup>36</sup> Queensland Government, *Submission No. 45*, 2009, p. 21.

<sup>37</sup> J Taylor, 'Unemployment and Family Life', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 77.

**Table 2: Youth labour market conditions, Queensland, June 2009**

Annual percentage change: 12 month moving average to June 2009						
Employment Growth (% change)				'000	Unemployment Rate (%)	Participation Rate (%)
Age Group	Full time	Part time	Total			
15-17	-12.2	-4.6	-6.0	-5.5	14.6	55.6
15-19	-0.8	-2.1	-1.6	-2.9	12.6	66.5
20-24	-3.4	0.4	-2.4	-5.9	6.1	82.6
15-24	-2.7	-1.2	-2.1	-8.8	9.0	74.5

Source: Australian Bureau of Statistics in Department of Education and Training, 2009, *The Queensland Labour Market and Training Review – Three Months to June 2009*, July, Queensland Government, Brisbane, p. 2.

37. Young people who are unemployed may experience ongoing impacts on their workforce participation. These impacts include reducing the hourly wage rate in future jobs, increasing the probability that they will experience underemployment or unemployment again in the future and decreasing the probability that they will cease to be unemployed and become employed.<sup>38</sup>
38. As shown in Table 2, young people aged less than 20 have lower labour market participation rates. This is generally a result of increased attendance at secondary and post-secondary education. Young people who engage in full time education are more likely to have improved labour market prospects in the future.<sup>39</sup> Whether it be study or work, engagement in productive activities supports not only the career prospects of young people but also their broader well being.<sup>40</sup>

### **Mature age unemployment**

39. Mature age workers who are retrenched during a downturn are often more vulnerable to long term unemployment unless they find alternative employment quickly. While age may be one factor that makes it difficult to find alternative employment, changes to recruitment practices and industry structures often make it difficult for mature age workers.<sup>41</sup> In Queensland, the unemployment rate for those aged 45- to 64- years old is 3.3 per cent.<sup>42</sup>

<sup>38</sup> B Chapman and M Gray, 'Youth Unemployment: Aggregate incidence and consequences for individuals', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 99.

<sup>39</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 27.

<sup>40</sup> K Hillman, and J McMillan, *Life Satisfaction of Young Australians: Relationships between Further Education, Training and Employment and General and Career Satisfaction*, LSAY Report No. 43, 2005, p. 24.

<sup>41</sup> Queensland Government, *Submission No. 45*, 2009, p. 22.

<sup>42</sup> Australian Bureau of Statistics cited in Department of Education and Training, *The Queensland Labour Market and Training Review – Three Months to June 2009*, Queensland Government, Brisbane, July 2009, p. 3.

**Table 3: Mature age labour market conditions, Queensland, June 2009**

Annual percentage change: 12 month moving average to June 2009						
Employment Growth (% change)				'000	Unemployment Rate (%)	Participation Rate (%)
Age Group	Full time	Part time	Total			
45-54	3.0	1.2	2.6	12.2	3.6	84.0
55-59	3.4	-13.8	-1.2	-2.1	2.8	68.9
60-64	7.0	29.6	14.1	14.2	3.1	51.2
45-64	3.6	2.3	3.3	24.3	3.3	73.3

Source: Australian Bureau of Statistics in Department of Education and Training, 2009, *The Queensland Labour Market and Training Review – Three Months to June 2009, July*, Queensland Government, Brisbane, p. 3.

40. Individuals in their mid-fifties or older tend to either leave the labour force or move into part time employment.<sup>43</sup> Research suggests that it becomes more difficult to re-enter the workforce when a person is 45 years.<sup>44</sup> This may be a result of a mismatch between the skills of older workers and the modern employment market.<sup>45</sup> There may also be issues relating to age discrimination, lack of confidence or self-esteem and access to re-training.<sup>46</sup> However, due to future expected skills shortages, the amount of mature age unemployment is likely to fall as employers have a smaller pool of workers to recruit from.<sup>47</sup>

### **Indigenous unemployment**

41. Indigenous Australians are the most disadvantaged people as a community within the labour market.<sup>48</sup> In 2007, the Queensland Indigenous unemployment rate was 9.8 per cent, which is less than half the rate it was in 2002 at 20.5 per cent. Queensland had the third-lowest Indigenous unemployment rate of all states and territories and has been lower than the national average since 2004.<sup>49</sup> Unemployment for Indigenous women in Queensland has fallen steadily from 27.6 per cent in 1991 to 16 per cent in 2006.<sup>50</sup> The highest rates of unemployment are amongst Indigenous people aged 15 to 24 years.<sup>51</sup> The Australian

<sup>43</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 26.

<sup>44</sup> R Ranzijn, E Carson, and A Winefield, 'Barriers to mature aged re-employment: Perceptions about desirable work-related attributes held by job-seekers and employers', *International Journal of Organisational Behaviour*, vol. 8 no. 7, 2004, p. 1.

<sup>45</sup> L Kerr, E Carson and J Goddard, 'Contractualism, employment services and mature-age job seekers: The tyranny of tangible outcomes', *The Drawing Board: An Australian Review of Public Affairs*, vol. 3, no. 2, 2002, p. 83.

<sup>46</sup> L Kerr, E Carson and J Goddard, 'Contractualism, employment services and mature-age job seekers: The tyranny of tangible outcomes', *The Drawing Board: An Australian Review of Public Affairs*, vol. 3, no. 2, 2002, p. 87.

<sup>47</sup> R Ranzijn, E Carson, A Winefield, and D Price, 'On the scrap-heap at 45: The human impact of mature-aged unemployment', *Journal of Occupational and Organizational Psychology*, vol. 79, no. 3, 2006, p. 476.

<sup>48</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 13.

<sup>49</sup> Australian Bureau of Statistics, *Labour Force Characteristics of Queensland Aboriginal and Torres Strait Islander People, 2007*, Catalogue No. 1318.3, Australian Government, Canberra, June 2008, downloaded from [www.abs.gov.au](http://www.abs.gov.au) on 13 May 2009.

<sup>50</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 43.

<sup>51</sup> Office for Women, *Profile: Queensland Women 2009*, Queensland Government, Brisbane, 2009, p. 43.

Bureau of Statistics suggests that, due to measurement issues, caution is needed when comparing figures across time within a state.<sup>52</sup>

42. There are a number of reasons why some Indigenous job seekers may be disadvantaged in the employment market. These include the need for improved numeracy and literacy skills, access to appropriate transportation, remoteness and the possession of qualifications. Additionally, a high rate of unemployment amongst the Indigenous community has seen a lower number of persons who are employed on a regular basis and model the skills required for work.<sup>53</sup>

### **Long term unemployment and social barriers to employment**

43. Long term unemployment is a significant issue given that it has grown rapidly since the 1970s and tends to be concentrated in certain demographic groups and regions.<sup>54</sup> In the 1980s and 1990s, unemployment decreased but without reducing the number of long term unemployed. The failure of the economy to create sufficient jobs to meet the demand for paid work means that cyclical unemployment has been converted to structural unemployment. As a result, the group of long term unemployed is growing.<sup>55</sup>
44. In Australia in August 2009, the average length of time that a person was unemployed was 35.2 weeks.<sup>56</sup> However, if a person had been unemployed for 104 weeks or more, the average length of unemployment was 237.2 weeks.<sup>57</sup> It is important to note that official measures of long term unemployment only record the last continuous period of unemployment and cannot account for churning between labour force states due to a person's short tenure in work and discouraged job-seeking behaviour.<sup>58</sup>
45. A person who is unemployed for a longer period will have a lower chance of re-entering the employment market because that person often loses the currency of employment skills and possibly the motivation to search for jobs.<sup>59</sup> Long term unemployment also impacts on other family members. For instance, research has identified that in families where both parents were unemployed for a period of six months or more, compared to those where at least one parent was employed, children were more likely to experience ill health.<sup>60</sup>

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<sup>52</sup> Australian Bureau of Statistics, Table 14A – Unemployed persons by duration of unemployment and sex, *Labour Force Characteristics of Queensland Aboriginal and Torres Strait Islander People, 2007*, Catalogue No. 1318.3, Australian Government, Canberra, June 2008, downloaded from [www.abs.gov.au](http://www.abs.gov.au) on 13 May 2009.

<sup>53</sup> R Bobir, Employment Officer, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 2; S Perel, Manager, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p.3; A Rose, Managing Director, Deadly Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 3.

<sup>54</sup> A Dockery, E Webster, D Doiron, and G Leeves, 'Long-term unemployment and work deprived individuals: issues and policies', *Australian Journal of Labour Economics*, vol. 5, no. 2, June 2002, p. 175.

<sup>55</sup> S Bell, 'The contours and dynamics of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 14.

<sup>56</sup> Australian Bureau of Statistics, Table 14A – Unemployed persons by duration of unemployment and sex, *Labour Force, Australia, Detailed – Electronic Delivery*, Catalogue No. 6291.0.55.001, Australian Government, Canberra, August 2009.

<sup>57</sup> Australian Bureau of Statistics, *Labour Force, Australia, Detailed – Electronic Delivery*, Catalogue No. 6291.0.55.001, Australian Government, Canberra, August 2009.

<sup>58</sup> A Dockery, E Webster, D Doiron, and G Leeves, 'Long-term unemployment and work deprived individuals: issues and policies', *Australian Journal of Labour Economics*, vol. 5, no. 2, June 2002, p. 177.

<sup>59</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 19.

<sup>60</sup> M Sleskova, F Salonna, G Madarasova, I Nagyova, R Stewart, J van Dijk, and J Groothoff, Does parental unemployment affect adolescents' health?, *Journal of Adolescent Health*, vol. 38, 2006, p. 533.

46. The causes of long term unemployment are varied. Long term unemployed individuals tend to experience barriers to obtain work, including lower levels of education, learning disabilities, lower literacy, lower levels of work experience, fewer job skills and a lack of knowledge of workplace norms resulting in absenteeism or lateness for work. Additionally, they are more likely to have had a psychiatric disorder or substance dependence issue within the previous 12 months, have had physical health problems or experienced other barriers, such as domestic violence, transportation problems or a criminal conviction.<sup>61</sup> Individuals with medical problems, health issues and drug abuse issues find it more difficult to move into the labour force.<sup>62</sup>

### Hidden unemployment

47. The Australian Council of Social Services believes that the official definition of unemployment hides those who are marginally attached to the labour force or are underemployed.<sup>63</sup> Hidden unemployment refers to those who would like to be in paid employment but are not actively seeking work. Hidden unemployment may be one reason why social security payments do not decline at the same rate as the unemployment rate.<sup>64</sup>
48. Women make up a large proportion of the hidden unemployed<sup>65</sup> while men are more likely to remain visible in the labour force as unemployed.<sup>66</sup> Figures from the Australian Bureau of Statistics show that, in Queensland at September 2008, there were 54,900 men with a marginal attachment to the labour force while there were 100,600 women in the same situation.<sup>67</sup> The Australian Bureau of Statistics defines marginal attachment to the workforce as those individuals not in the labour force, wanted to work and were actively looking for work but were unavailable to start or were not actively looking for work but were available to start work within four weeks.<sup>68</sup>
49. Men and women had different reasons for not looking for work. A study conducted by Baum and Mitchell found the major reasons for women not looking for work included preferring to look after children (33.6 per cent), their own illness, injury or disability (7.8 per cent) or other child care reasons (7.5 per cent). The major reasons for men not looking for work included their own illness, injury or disability (13.3 per cent), the ill health of others or

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<sup>61</sup> S Danziger and K Seefeldt, 'Barriers to employment and the 'hard to serve': Implications for services, sanctions and time limits', *Social Policy and Society*, vol. 2, no. 2, 2003, p. 152.

<sup>62</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 20.

<sup>63</sup> Australian Council of Social Service, *Measuring Long Term Unemployment in Australia*, Information Paper 379, Australian Council of Social Service, Sydney, December 2005, p. 2.

<sup>64</sup> Australian Council of Social Service, *Measuring Long Term Unemployment in Australia*, Information Paper 379, Australian Council of Social Service, Sydney, December 2005, p. 6.

<sup>65</sup> J Taylor, 'Unemployment and Family Life', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 65.

<sup>66</sup> W Mitchell, *Hidden Unemployment in Australia 2007*, Working Paper 07-05, Centre of Full Employment and Equity, Newcastle, November 2007, p. 6.

<sup>67</sup> Australian Bureau of Statistics, *Persons not in the Labour Force, Australia, September 2008*, Catalogue No. 6220.0, Australian Government, Canberra, March 2009, pp. 12-13, downloaded 29 September 2009 from [www.abs.gov.au](http://www.abs.gov.au).

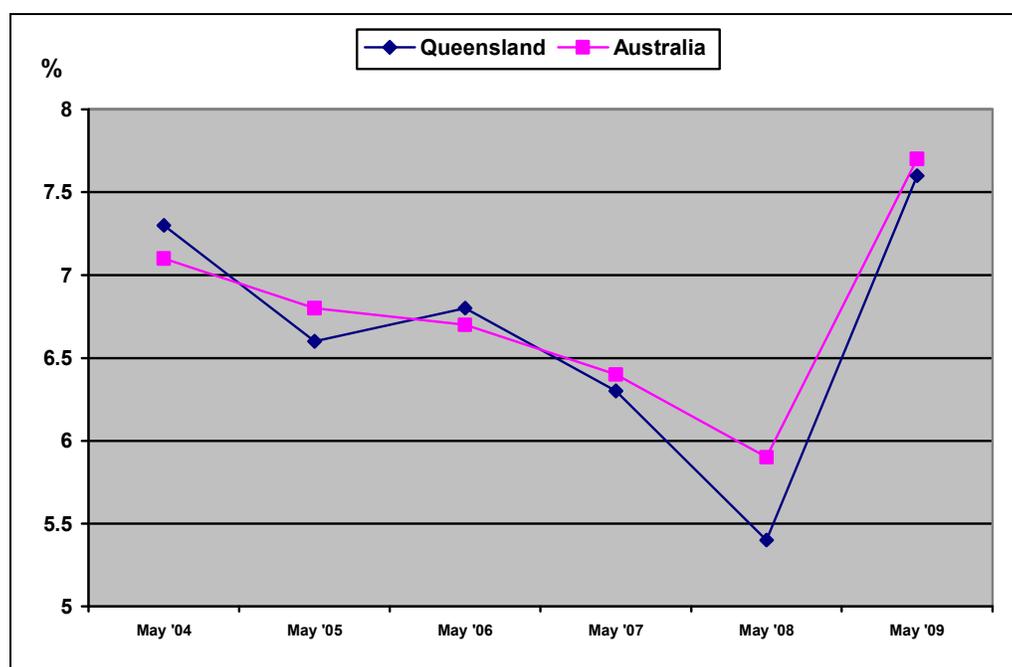
<sup>68</sup> Australian Bureau of Statistics, *Persons not in the Labour Force, Australia, September 2008*, Catalogue No. 6220.0, Australian Government, Canberra, March 2009, p 48, downloaded 29 September 2009 from [www.abs.gov.au](http://www.abs.gov.au).

another family reason (8.6 per cent) and returning to study (eight per cent).<sup>69</sup> Men are more likely than women to seek full time employment when they are hidden unemployed.<sup>70</sup>

## Underemployment

50. The economic downturn within Australia has impacted not only on the number of individuals who are out of work but also on those who would like to work more hours.<sup>71</sup> Underemployment has risen faster than unemployment suggesting that, while some employers are reducing the number of workers, many are choosing to reduce hours and therefore keep individuals working within their organisations. This is possibly a response to expected skills shortages as the economy improves.<sup>72</sup>
51. As shown in Figure 3, underemployment in Queensland in May 2009 was 7.6 per cent compared with 7.7 per cent nationally. This figure grew rapidly from May 2008 when it was 5.4 per cent for Queensland and 5.9 per cent nationally.

**Figure 3: Underemployment rates for Queensland and Australia, May 2004 to May 2009**



Source: Adapted from Australian Bureau of Statistics, *Australian Labour Market Statistics*, No. 6105.0, July 2009, p. 72, downloaded 24 September 2009 from [www.abs.gov.au](http://www.abs.gov.au).

<sup>69</sup> S Baum and W Mitchell, 'Labour Underutilisation and Gender: Unemployment Versus Hidden-Unemployment', *Population Research Policy Review*, vol. 11, April 2009, p. 6.

<sup>70</sup> M Watts, and W Mitchell, *The Costs of Unemployment in Australia*, Working Paper 00-04, Centre of Full Employment and Equity, Newcastle, 2000, p. 6.

<sup>71</sup> Australian Bureau of Statistics, *Australian Labour Market Statistics*, Catalogue No. 6105.0, Australian Government, Canberra, July 2009, p. 31, downloaded 24 September 2009 from [www.abs.gov.au](http://www.abs.gov.au).

<sup>72</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 18.

52. While the public debate has often assumed that casual employment can be used as a stepping stone to permanent employment, research does not support this supposition. Only the most disadvantaged workers are more likely to gain a permanent position from a casual role. Those who are not disadvantaged are unlikely to gain permanent employment any sooner by taking a casual role.<sup>73</sup>
53. It is important to note that people may work part time hours for a number of reasons, including to participate in study, to care for family, a preference for working part time or because they were unable to find full time work. The reasons for working part time tend to vary by age.<sup>74</sup>

### **Work available**

54. The impact of the GFC has been uneven across industries within Queensland.<sup>75</sup> While unemployment has increased in some industries, employment has grown in other industries, such as nursing and mining. Industries that appear, in the absence of formal modeling, to have suffered job losses in late 2008 and early 2009 include construction, business services, aviation, retail, banking and finance, as well as tourism-related services.<sup>76</sup> Figure 4 shows the change in numbers employed in selected industries from August 2008 to August 2009.
55. The committee heard from specific industries that are experiencing employment growth and skills shortages. The health industry is approximately seven per cent of the Australian civilian workforce. Strong growth for employment in this sector is predicted, due largely to the ageing of the population and the increased demand for health services.<sup>77</sup> This growth is in addition to the existing conservative estimate of a shortfall of 1,400 nurses in Queensland, with shortages in most areas of nursing, including accident and emergency, Indigenous health, aged care, community care, mental health and midwifery.<sup>78</sup>

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<sup>73</sup> Australian Council of Social Service, *Hidden Unemployment in Australia*, Information Paper 131, Australian Council of Social Service, Sydney, November 2003, pp. 18-19.

<sup>74</sup> J Abhayaratna, L Andrews, H Nuch, and T Podbury, *Part Time Employment: the Australian Experience*, Staff Working Paper, Productivity Commission, 2008, p. 79.

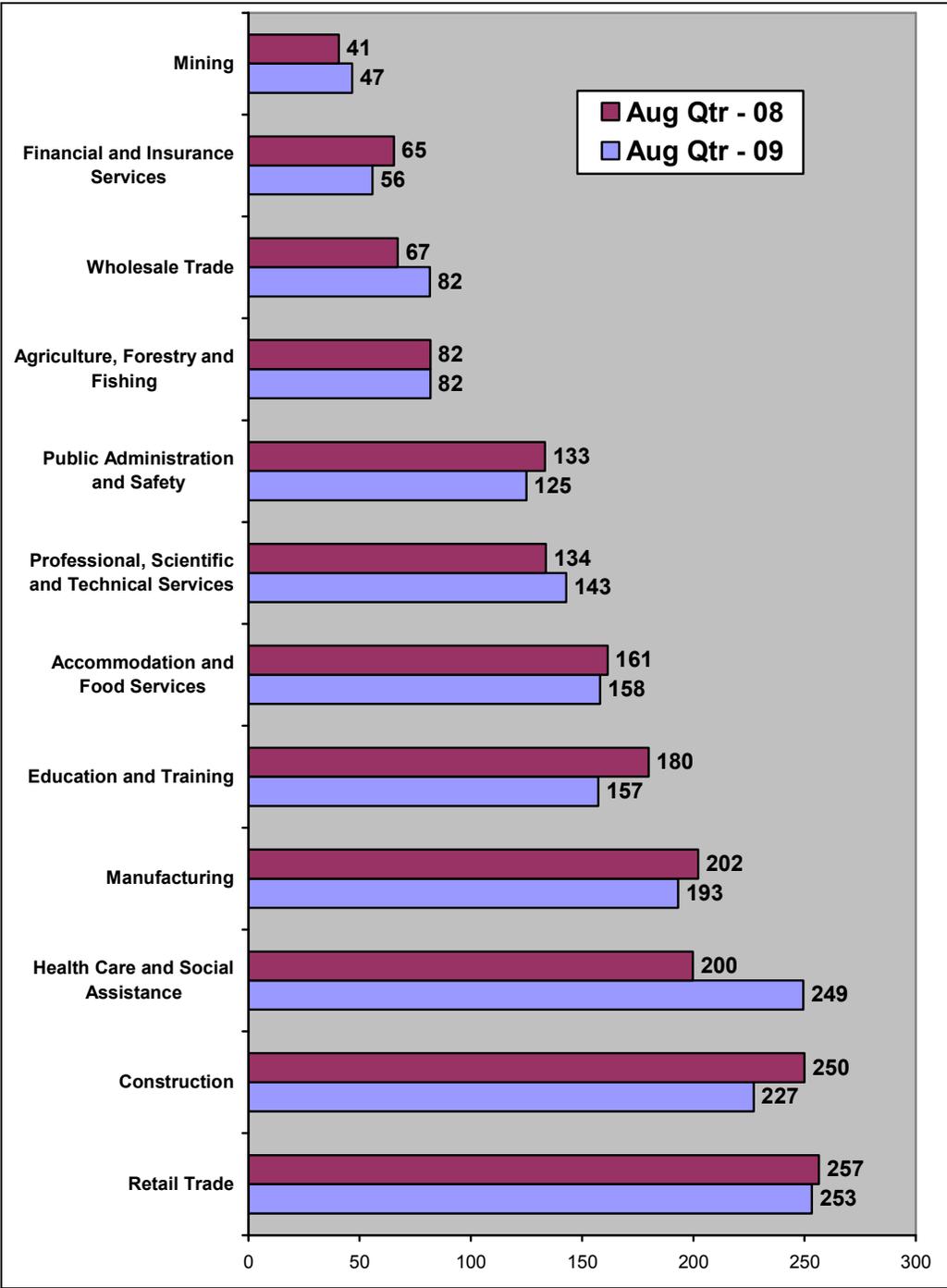
<sup>75</sup> Queensland Government, *Submission No. 45*, 2009, p. 4.

<sup>76</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, p. 11.

<sup>77</sup> E Mohle, Assistant Secretary, Queensland Nurses Union, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 24.

<sup>78</sup> Queensland Nurses Union, *Submission No. 37*, 2009, p. 3.

**Figure 4: Employed persons, selected industries, Queensland, August quarter 2008 to August quarter 2009 ('000)**



Source: Adapted from Australian Bureau of Statistics, Table 5 Labour Force, Australia, Detailed, Quarterly, Catalogue. No. 6291.0.55.003, Australian Bureau of Statistics, Canberra, 2009.

56. The mining industry has experienced counter-cyclical employment growth between May 2008 and May 2009. As shown in Table 4 there has been almost 10,000 additional people employed in Queensland. This growth in employment is expected to continue, with pre-downturn research suggesting that an additional 20,000 jobs would be created in the mining industry by 2020.<sup>79</sup> These figures do not include the liquefied natural gas industry, which is expected to grow rapidly. Mayor Brown from the Western Downs Regional Council is predicting an additional 38,000 people to move to his region over the next few years as a result of this industry.<sup>80</sup>

**Table 4: Employment in the mining industry, number of persons, Queensland, May quarter 2008 to May quarter 2009**

	May Qtr 2008	August Qtr 2008	Nov Qtr 2008	February Qtr 2009	May Qtr 2009
Coal Mining	13,879	14,232	13,847	19,694	17,626
Oil and Gas Extraction	2,641	4,863	3,941	3,870	4,095
Metal Ore Mining	4,184	5,376	4,611	3,750	5,422
Non-Metallic Mineral Mining and Quarrying	4,546	3,652	2,410	2,575	4,063
Exploration and Other Mining Support Services	6,739	5,537	12,084	8,393	9,804
Mining, nfd	4,999	4,187	7,786	8,708	5,587
Total	36,988	37,847	44,679	46,990	46,597

Source: Queensland Resources Council, *Submission No. 25, 2009*, p. 3.

### Costs of unemployment

57. The costs of unemployment are borne by both the individual and society. The measurable costs of unemployment include:
- The costs government incurs both in providing financial support to unemployed persons and their families, as well as the taxation revenue that is lost as a result of lower employment;
  - The impact of output losses within the economy as a result of underutilised labour; and
  - The income that an individual and their family loses as a result of unemployment.<sup>81</sup>

<sup>79</sup> Queensland Resources Council, *Submission No. 25, 2009*, p.4.

<sup>80</sup> R Brown, Mayor, Western Downs Regional Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 21.

<sup>81</sup> T Eardley 'Identifying and quantifying the costs of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 47.

58. In addition to this, there are potential personal and societal costs that are harder to quantify. These include loss of skills, psychological harm and distress, social exclusion, health effects, criminal behaviour, pressures on relationships and families, homelessness, racial and gender inequality and loss of social values and responsibility.<sup>82</sup>
59. The social costs, given that they are more likely to be longer term, are likely to be greater than the direct economic costs. The social costs are harder to quantify but affect both the individual and society as a whole.<sup>83</sup> Some costs relate specifically to the type of unemployed person. For instance, unemployed persons of a mature age tend to have a reduced capacity to save for retirement.<sup>84</sup>
60. One submission estimated an increase in individuals of 100,000 from 2007-2008 levels who would be socially excluded and at risk as a result of the current economic downturn. This would increase costs (based on conservative estimates) by \$3.58 billion a year. This includes additional productivity losses (\$1.75 billion), tax losses (\$529 million), additional social security (\$682 million) and additional health costs (\$630 million).<sup>85</sup> These are costs for the increase from 2007-2008 levels only and not for a reduction in the number of unemployed existing prior to the economic downturn.
61. The loss of skills is a significant cost of unemployment given that when an unemployed worker loses some of their skills, the effects on their ability to obtain paid work last for a significant length of time.<sup>86</sup> The overall productivity of the working age population is also reduced as unemployed people remove themselves from the labour market, seek support from employment assistance services or receive pensions or disability benefits.<sup>87</sup>

#### **Committee conclusions**

62. The costs of unemployment are diverse and not always easy to clearly identify and measure in financial terms. The committee notes that the Federal Government directly bears many of the financial costs of unemployment, such as the provision of financial support to unemployed individuals and the loss of revenue from income tax. However, the Queensland Government is responsible for funding many of the programs and agencies that address the social costs of unemployment. As noted earlier, these social costs are likely to be greater than the financial costs. The committee considers that the loss of skills while unemployed or not participating in the workforce is critical, particularly given that skills shortages are expected once the economy improves. It is therefore important to prevent unemployment, particularly during an economic downturn.

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<sup>82</sup> T Eardley 'Identifying and quantifying the costs of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 47; M Watts, and W Mitchell, *The Costs of Unemployment in Australia*, Working Paper 00-04, Centre of Full Employment and Equity, Newcastle, 2000, p. 5.

<sup>83</sup> T Eardley 'Identifying and quantifying the costs of unemployment', in P Saunders and R Taylor (eds), *The Price of Prosperity: The economic and social costs of unemployment*, University of New South Wales Press, Sydney, 2002, p. 58.

<sup>84</sup> R Ranzijn, E Carson, A Winefield, and D Price, 'On the scrap-heap at 45: The human impact of mature-aged unemployment', *Journal of Occupational and Organizational Psychology*, vol. 79, no. 3, 2006, p. 476.

<sup>85</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, p. 19.

<sup>86</sup> C Pissarides, 'Loss of Skill During Unemployment and the Persistence of Employment Shocks', *The Quarterly Journal of Economics*, vol. 107, no. 4, 1992, p. 1371.

<sup>87</sup> Brotherhood of St Laurence, *Policy Recommendations to the Australian Government for an effective response to the economic downturn*, Brotherhood of St Laurence, Melbourne, February 2009, p. 6.



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## PART 3 – EMPLOYMENT PROGRAMS

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63. Government employment programs are used to either decrease unemployment levels or maintain high employment rates by helping job seekers to improve and increase opportunities for employment through overcoming employment barriers. This section considers a range of employment programs, including international and inter-state examples of best practice, as well as the current suite of Queensland Government employment programs, and provides suggestions regarding the improvement of these programs.
64. A definition of successful employment outcomes through employment programs is:
- ...initiatives that lead to employment either directly or indirectly by overcoming barriers and creating pathways towards employment or further training. They may also produce social, personal or community outcomes that may lead to employment some time in the future, if not immediately.*<sup>88</sup>

### International examples of crisis recovery packages and the associated costs

65. Employment programs have been used internationally to assist unemployed persons find employment during economic crises. Argentina implemented its *Jefes* program, which provided work-tested income support for families whose heads of household were unemployed. The program reached approximately 11 per cent of the labour force and helped to reduce unemployment by an estimated 2.5 percentage points. The cost of the program was 0.5 to one per cent of GDP.<sup>89</sup>
66. The Republic of Korea quickly implemented active labour market programs (ALMPs) following the onset of its economic crisis. These ALMPs helped to improve skills and provide work opportunities for many job seekers and included a national public works program that provided work for approximately 70 per cent of the country's 1.7 million unemployed. This reduced unemployment by two percentage points. As the programs were activated quickly, they also helped to reduce the risk of long term unemployment and social exclusion. In addition, the government's recovery strategy included providing credit for SMEs to ensure investment in technology and innovation and encouraged banks to direct loans to smaller firms.<sup>90</sup>

### International Labour Organization

67. The ILO is a United Nations Agency that brings together governments, employers and workers to help shape policies and programs. The main aims of the ILO are the promotion of rights at work, encouraging decent employment opportunities, enhancing social protection and strengthening discussion regarding the handling of work related issues.<sup>91</sup>

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<sup>88</sup> McDonald, Dickie, Figgis, Fyffe, and Golding, cited in K Giddy, J Lopez, and A Redman, *Brokering Successful Aboriginal and Torres Strait Islander Employment Outcomes: Common Themes in Good-Practice Models – Literature Review*, National Centre for Vocational Education Research, Adelaide, 2009, p. 5, downloaded on 28 September 2009 from [www.ncver.edu.au](http://www.ncver.edu.au).

<sup>89</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, p. 13.

<sup>90</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, pp. 13-14.

<sup>91</sup> International Labour Organization, *The ILO at a glance*, International labour Organization, Geneva, 2009, p. 1.

68. The ILO has proposed a Global Jobs Pact, a national and international crisis response framework, to combat the effects of the current economic downturn on employment levels. It aims to place employment and labour market issues at the heart of stimulus packages and other national policies and encourage a large number of countries to participate in order to provide a global coordinated response to the economic downturn.<sup>92</sup>
69. In consultation with the Organisation for Economic Co-operation and Development (OECD), specific measures proposed under the Global Jobs Pact to protect jobs and support productive enterprises include:
- Ensuring the flow of credit and stimulating additional demand through public and private expenditure and investment, by the use of fiscal and wage measures to stimulate domestic demand;
  - Protecting persons most exposed by the downturn with unemployment benefits, additional training and retraining opportunities, improve job placement services, enlarge or establish emergency employment schemes and provide targeted safety nets; and
  - Supporting sustainable and productive enterprises together with a strong social economy and a viable public sector.<sup>93</sup>
70. These measures ensure:
- Jobs are protected through support for shorter hours and reduced lay-offs and skills development;
  - Job seekers are supported with well-designed unemployment benefits;
  - ALMPs help to avoid the risk of long term and youth unemployment and social exclusion;
  - Increased investment in public infrastructure benefits employment levels;
  - Investment in green economies;
  - Social protection for low-income groups; and
  - Support and credit flows to enterprises, particularly small and medium enterprises (SMEs), which are instrumental to employment levels.<sup>94</sup>
71. Countries that have implemented policies that support SMEs include: India, Singapore, Belgium, France, Austria and Germany. For example, India has expanded its subsidised credit guarantee scheme for SMEs. Singapore has introduced a new Special Risk-sharing Initiative to encourage bank lending and improve access to credit for SMEs.<sup>95</sup>

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<sup>92</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, pp. 2-3.

<sup>93</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, p. 10.

<sup>94</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, pp. 14-19.

<sup>95</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, p. 14.

## International examples of employment programs

72. As well as packages designed to manage the economic crisis, many international governments have implemented more specific employment programs. Governments, including Korea, China and India, have trialled a public private partnership model. This can attract investment funds and the expertise required to operate complex information and communication technology (ICT) facilities, which generates ICT related employment. The agreement can be created in such a way that it stimulates the employment of specific groups, such as young people. This would improve their employment prospects in a relatively new area of industry that is a significant generator of current and future employment opportunities.<sup>96</sup>
73. The social enterprise model used in the UK creates a modified workplace that caters for the needs of marginalised individuals who would otherwise struggle to find employment. The purpose of the social enterprise is to assist people to develop the confidence and skills to participate in mainstream employment. This model is being used through the Queensland Government's PIP program, which has funded peak organisations to support social enterprises in Brisbane, Logan and Ipswich. As in many areas, the economic downturn has significantly impacted on the funding of social ventures, as direct private sector investment has decreased.<sup>97</sup>
74. For this reason, there is a need to investigate other strategies to assist marginalised individuals to participate in the workforce. This includes private companies considering employing marginalised individuals directly or the government and private sector purchasing services from social enterprises.
75. The US approaches employment issues from all government levels. New job creation programs emerged when the American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law in February 2009. One of the goals of the act is to protect millions of jobs and create jobs by modernising US infrastructure, enhancing energy independence, expanding educational opportunities, preserving and improving affordable health care, providing tax relief, and protecting those in greatest need.<sup>98</sup> Two specific examples of programs from the US include the Green Jobs initiative and the High Growth Training initiative.
76. The Green Jobs initiative supports apprenticeship and job training programs designed to meet the growing demand for green construction professionals skilled in energy efficiency and renewable energy installations and increase widespread employment in green careers across several industry sectors. The High Growth Training initiative helps workers obtain skills through training and career development to take advantage of new and increasing job opportunities in high growth and demand and economically vital sectors of the US economy, such as health care, information technology and advanced manufacturing.<sup>99</sup>
77. The European Union is attempting to overcome increasing unemployment rates by easing transitions and restrictions within and into the labour market, improving the matching of individuals' skills with labour market needs, reinforcing access to training for unemployed persons, individuals at risk of dismissal and other vulnerable groups, as well as keeping workers in the labour force for as long as possible through policies such as those that

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<sup>96</sup> R Curtain, *Promoting youth employment through information and communication technologies (ICT) Best practices examples in Asia and the Pacific*, International Labour Organization, Geneva, December 2001, p. 13.

<sup>97</sup> Queensland Government, *Submission No. 45*, 2009, p. 33.

<sup>98</sup> United States Department of Labor Employment and Training Administration, *Employment and Training Administration*, Department of Labor, United States, 2009, downloaded on 19 June 2009 from [www.doleta.gov](http://www.doleta.gov).

<sup>99</sup> United States Department of Labor Employment and Training Administration, *Employment and Training Administration*, Department of Labor, United States, 2009, downloaded on 19 June 2009 from [www.doleta.gov](http://www.doleta.gov).

discourage early retirement.<sup>100</sup> Germany, for example, has adopted measures to limit layoffs, which includes encouraging shorter hours, partial unemployment and skills development. Firms are reimbursed 100 per cent of their social security contributions on behalf of employees when the reduced working hours are used for training.<sup>101</sup>

78. According to the European Commission submission to the committee's inquiry, other measures for decreasing unemployment and maintaining labour force participation include:
- Promoting entrepreneurship and self-employment, including support for establishing new businesses or reducing the cost of borrowing;
  - Designing sustainable business plans and mentoring for new business;
  - Reducing red tape and simplifying procedures for establishing businesses;
  - Implementing rapid recovery packages that focus on providing financial support by:
    - Helping workers and companies undergoing restructuring;
    - Promoting entrepreneurship and self-employment;
    - Matching skills and labour market needs;
    - Helping young people with training and skills requirements and encouraging companies to take on trainees and apprentices;
    - Supporting the most vulnerable groups to enter the workforce by providing incentives to companies to employ disadvantaged workers; and
    - Providing public employment services that help with the growing number of clients.<sup>102</sup>

### **Employment programs in other Australian states**

79. While it is beyond the scope of this report to conduct a comprehensive review of all other state government employment programs, several examples are provided.
80. The Mature Aged Workers Giving in Care (MAGIC) program is a joint initiative of the Victorian Government, the Community Services and Health Industry Skills Council and the Commonwealth Department of Education, Science and Training. The aim of the program is to recruit and train mature aged workers and non-traditional workers (such as men in child care) into the community services industry.<sup>103</sup>
81. The Enterprise Learning for the 21st Century program is an initiative of the Victorian Government that funds businesses, industry, education and community organisations to undertake innovative projects that support young people to build their enterprise skills,

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<sup>100</sup> Employment Council: Measures should be timely, targeted and temporary, say Ministers, *European Social Policy*, 6 April 2009, p. 1.

<sup>101</sup> International Labour Organization, *Tackling the global jobs crisis: Recovery through decent work policies*. International Labour Conference, 98<sup>th</sup> Session 2009, Report I(A), International Labour Organization, Geneva, 2009, p. 15.

<sup>102</sup> Commission of the European Communities, *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of Regions: A Shared Commitment for Employment*, Commission of the European Communities, Brussels, pp. 10-11 (provided to the committee as part of European Commission, *Submission No. 5*, 2009).

<sup>103</sup> Queensland Government, *Submission No. 45*, 2009, p 32.

think creatively and reach their full potential.<sup>104</sup> The Federal Government is also with this program.<sup>105</sup>

82. Until recently, South Australia had a Parents Return to Work program that provided accredited training to parents aged under 40 who wished to return to the workforce.<sup>106</sup> The Victorian Government offers a similar program.<sup>107</sup>
83. The New South Wales Government offers a Corporate Partners for Change program. This program is a partnership between the New South Wales Government, employers, unions and registered training organisations. The program identifies industries with skills shortages and then links disadvantaged job seekers with employers to provide training and work experience linked to actual jobs.<sup>108</sup>

### **The Queensland Government's current employment programs**

84. The Queensland Government submission outlines a number of responses to rising unemployment caused by the economic downturn including:
  - A new \$10 million Jobs Assist Program to provide support for vulnerable businesses and workers to minimise closures and retrenchments;
  - An \$18 billion building program;
  - Up to 3,000 job placements in Queensland's Green Army;
  - Supporting new industries that can create jobs, including the liquefied natural gas industry (up to 18,000 jobs) and the Renewable Energy Program (up to 3,500 jobs);
  - Introducing new institutional training reforms that will support up to 2,000 new trainees and apprentices in 2010;
  - Investing over \$120 million to deliver 46,000 training places over three years for job seekers through the Productivity Places Program, with support from the Commonwealth Government and industry; and
  - Supporting unemployed Queenslanders to build employment skills through the \$320 million Skilling Queenslanders for Work (SQW) initiative.<sup>109</sup>
85. QMI Solutions works with the Queensland Government to provide programs that help to ensure the sustainability of manufacturing businesses. QMI Solutions does this in a number of ways, including acting as a technology diffusion agency which scans the world for technologies that will make the operation of SMEs in Queensland more efficient and profitable.<sup>110</sup> It also helps design sustainable business plans and provides a mentorship role for SMEs through its programs, which help businesses to save time and money.

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<sup>104</sup> Queensland Government, *Submission No. 45*, 2009, p 32.

<sup>105</sup> Australian Government, *Enterprise Learning for the 21<sup>st</sup> Century Initiative*, Australian Government, Canberra, no date, downloaded on 10 November 2009 from [www.dest.gov.au](http://www.dest.gov.au).

<sup>106</sup> Department of Further Education, Employment, Science and Technology, *Annual Report*, Government of South Australia, Adelaide, 2007, p. 23.

<sup>107</sup> B Cook, *National, Regional and Local Employment Policies in Australia*, Working Paper No. 08-06, October. Centre of Full Employment and Equity, Newcastle, October, 2009, p. 11.

<sup>108</sup> Department of Education and Training, *Corporate Partners for Change*, New South Wales Government, Sydney, no date, downloaded on 21 October 2009 from [www.det.nsw.edu.au](http://www.det.nsw.edu.au).

<sup>109</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, p. 10 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>110</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p 50.

Programs include Best practice support projects – helping manufacturers to maximise resources, Bulletproof your business, and Collaborating with partners.<sup>111</sup>

86. QMI Solutions also highlights the need to invest in innovation and productivity improvement, particularly in providing world leadership in areas of Queensland's competitive advantages, such as how to use natural resources more effectively. For example, focussing innovative techniques on areas such as coal to liquid or gas to liquid processing, geothermal power generation, and improvements in health and safety techniques in mining would all improve Queensland's competitive and innovative status globally.<sup>112</sup>
87. The Create it, Make it, Live it campaign is an initiative of the Queensland Government and raises the awareness and profile of manufacturing and engineering industry careers, particularly in schools. QMI Solutions believes that funding for this program should continue.<sup>113</sup>

### **Jobs First**

88. The Queensland Government's program which is designed to support existing employment and invest in 100,000 new jobs is documented in the government's *Jobs First: Delivering Jobs for Queensland* policy statement released in August 2009. The Queensland Government states that Jobs First is consistent with advice from the OECD and other international bodies on how to deal with the financial crisis and promote training and labour market programs that help build the skills of the workforce and maintain labour market participation.<sup>114</sup>
89. Jobs First outlines the government's response to the challenges posed by the GFC in six ways:
- Investing in protecting existing jobs;
  - Investing in new industries to build economic growth into the future;
  - Investing in the skills and training needs of Queenslanders with new apprenticeships and vocational education places;
  - With a view to the longer term, targeting those skills that need most support during the tough economic times and, together with the Commonwealth Government, focusing on Queensland's most vulnerable regions and communities;
  - In light of the tough times facing business, providing a new and more flexible training model so that Queensland's young people can prepare for apprenticeships and build up their skills for the recovery; and
  - Providing support for vulnerable firms and workers through a new \$10 million Jobs Assist Program to minimise closures and retrenchments.<sup>115</sup>

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<sup>111</sup> QMI Solutions, *Events Calendar*, QMI Solutions, Brisbane, 2009, downloaded on 29 October 2009 from [www.qmisolutions.com.au](http://www.qmisolutions.com.au).

<sup>112</sup> QMI Solutions, *Submission No. 35*, 2009, p. 4.

<sup>113</sup> QMI Solutions, *Submission No. 35*, 2009, p. 16; Queensland Government, *Create it, make it, live it*, Queensland Government, Brisbane, 2009, downloaded on 29 October 2009 from <http://www.createitmakeitliveit.qld.gov.au>.

<sup>114</sup> P. Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 8.

<sup>115</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane, August 2009, p. 4 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

### **Jobs Assist Program**

90. The Jobs Assist Program of the Queensland Government focuses on preventing job losses by building business resilience to stop job shedding.<sup>116</sup> Importantly for small businesses, the Jobs Assist Program provides an integrated package for workers and businesses impacted by the GFC by focussing on preventing job losses, building networks and ensuring viability of businesses.<sup>117</sup> The program will use a number of strategies to do this including providing financial assistance for eligible firms to undertake an analysis of their key challenges and develop an action plan, delivering regional jobs and infrastructure forums on available job opportunities and employment networking within a local community as well as providing support for a number of purposes including training, job preparation or relocation.<sup>118</sup>
91. Evidence indicates that reducing working hours for employees will increase the chances of their maintaining employment.<sup>119</sup> Employers recognise the need to hold on to skilled employees in anticipation of the economic upturn, as employers have experienced skills shortages in the past.<sup>120</sup> The Ai Group sees the economic downturn as an opportunity to increase the momentum in training.<sup>121</sup>
92. The Federal Government announced in April 2009 that it would provide training places under its Productivity Places Program for Holden workers on shorter hours to gain new skills and broaden their employment options. The Federal Government was working with individual companies on these issues.<sup>122</sup>

### **Committee conclusions**

93. Although the Queensland Government is helping businesses to prevent job losses through its Jobs Assist Program, the committee heard evidence that, in some industries, employers and employees were agreeing to shorter hours to protect employment levels. This provides an opportunity for employers to then increase training. The committee recommends that the government consider supporting employers to fund training programs in these circumstances as part of the Jobs Assist Program.

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<sup>116</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 9.

<sup>117</sup> Department of Employment, Economic Development and Innovation, *Response to additional questions*, Queensland Government, Brisbane, 8 October 2009, p. 3.

<sup>118</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane, August 2009, p. 7 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>119</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 18.

<sup>120</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Growth: Policy Priorities for Queensland's State Government*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 30 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>121</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>122</sup> K Carr, *Transcript of Press Conference on Holden Announcement*, Melbourne, 3 April 2009, downloaded on 5 November 2009 from [www.minister.innovation.gov.au](http://www.minister.innovation.gov.au).

94. Employers are aware that an economic upturn often brings about a skills shortage and do not want to be in a position where it is difficult to employ skilled workers. The committee believes that increasing the level of training for those employees on reduced hours during the economic downturn will help to alleviate any skills shortages in the future.

**Recommendation 1:**

**The committee recommends that, where employees and employers have agreed to reduce working hours to protect employment during economic downturns, the Queensland Government work with industry and unions to support training programs for these employees particularly those employed in small and medium enterprises.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

***Skilling Queenslanders for Work***

95. The Skilling Queenslanders for Work (SQW) initiative focuses on providing Queenslanders with job-ready skills to enter the workforce. This program targets assistance to the most disadvantaged job seekers, including youth, mature aged, Indigenous, and other disadvantaged groups.

***Young people***

96. The government has several employment programs as part of the SQW initiative that focus on young job seekers, including Get Set for Work program, the First Start program and the Youth Training Incentive program as well as the Green Army.<sup>123</sup>
97. The Get Set for Work program currently assists young people 15 to 17 years old who no longer attend school or who are at risk of not completing year 12. The program is being expanded in 2009-10 to allow young people aged 18 and 19 to participate.<sup>124</sup>
98. The First Start and the Youth Training Incentive programs offer young people and disadvantaged job seekers with little or no work experience, employment opportunities of full time and school based apprenticeships and traineeships where they gain on-the-job experience and training and who are paid for that work.<sup>125</sup>
99. The Green Army will provide 3,000 work placements and traineeships to unemployed Queenslanders over three years as part of an investment of \$57 million by the Queensland Government. Green Army programs aim to enhance natural assets, strengthen tourism infrastructure and promote increased environmental awareness throughout Queensland. The Green Army program not only supports unemployed young people but also the long term unemployed, recently retrenched workers who have been out of work for more than three months, and out-of-trade apprentices (who are often likely to be young workers).<sup>126</sup>
100. The Queensland Government is supported by Commonwealth employment programs for young workers, including Compact with Young Australians. The Youth Compact provides a guarantee that every young person aged 15 to 24 has access to education or training places.
101. Young job seekers may lack the confidence or literacy skills to explore opportunities in a wide range of industries, including retail and hospitality, and instead look for labour work.

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<sup>123</sup> Queensland Government, *Submission No. 45*, 2009, p 21.

<sup>124</sup> Queensland Government, *Submission No. 45*, 2009, p 21.

<sup>125</sup> Queensland Government, *Submission No. 45*, 2009, p 21; Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane, August 2009, p. 28 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>126</sup> Queensland Government, *Submission No. 45*, 2009, p 21.

The Kurbingui Youth Development Association (KYDA) suggests possible changes to improve work placement programs for young workers including changes to guidelines to allow a more flexible approach for high needs target groups and improving the role of the support worker and coordinator by funding it to an appropriate level so the worker has the required skill and knowledge to deal with the complex needs that arise for young job seekers.<sup>127</sup>

### **Mature aged people**

102. Retrenched mature aged workers are vulnerable to long term unemployment if they do not find alternative employment readily.<sup>128</sup> The Queensland Government has a number of initiatives in place that target mature aged workers.<sup>129</sup>

103. The Community Employment and Infrastructure Program funds projects that aim to raise awareness about the value of older experienced people in the workforce. It also funds programs on how to recruit, retrain and retain older workers and create age-friendly workplaces. Funding will be provided to create several industry liaison officer positions who will inform and educate industry on the value and economic benefit of retaining older workers. Additionally, the Jobs Assist Program, which is being implemented through the state's rapid response teams (RRT), provides a link to employment services.<sup>130</sup>

### **Indigenous people**

104. The Queensland Government, in its employment policies and programs for Indigenous persons, needs to recognise and address the obstacles that exist for these job seekers. The government also needs to consider factors that promote successful employment outcomes for the Indigenous community, including:

- Targeted training and specialist strategies for Aboriginal and Torres Strait Islander people;
- Knowledge of client group by employment organisations and government;
- Provision of mentoring and support;
- Strong partnerships and connections that link communities, government, local businesses, industry and service providers;
- Community involvement in developing strategies;
- Skilled and dedicated staff;
- Innovative organisations that engage job seekers and provide post placement support and incentives for employees; and
- Promotion of success.<sup>131</sup>

105. There is a general consensus that employment and training programs and strategies targeted at the Indigenous community need to focus on local solutions to local needs because of the different economies, opportunities and identities that exist between urban, regional and remote communities. Strong partnerships need to be enhanced between

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<sup>127</sup> Kurbingui Youth Development Association, *Submission No. 14*, 2009, p 3.

<sup>128</sup> Queensland Government, *Submission No. 45*, 2009, p 22.

<sup>129</sup> Queensland Government, *Submission No. 45*, 2009, pp. 21-22.

<sup>130</sup> Queensland Government, *Submission No. 45*, 2009, pp. 21-22.

<sup>131</sup> K Giddy, J Lopez, and A Redman, *Brokering Successful Aboriginal and Torres Strait Islander Employment Outcomes: Common Themes in Good-Practice Models – Literature Review*, National Centre for Vocational Education Research, Adelaide, 2009, p. 6, downloaded on 28 September 2009 from [www.ncver.edu.au](http://www.ncver.edu.au).

government, communities, local businesses, industry and service providers. Indigenous employment organisations may have difficulty in improving employment outcomes due to short term funding and inconsistency of initiatives and a lack of connection across agencies and organisations.<sup>132</sup>

106. The Indigenous Employment and Training Strategy 2008-11: Positive Dreaming, Solid Futures is a whole-of-government strategy implemented to meet the Council of Australian Governments' (COAG) commitment of halving the gap in Indigenous employment outcomes within the next decade.<sup>133</sup> Activities to support this strategy and the COAG Indigenous Economic Participation Agreement include:

- Creating sustainable jobs in government service delivery that previously relied on subsidisation from the Community Development Employment Projects (CDEP) program;
- Leveraging of opportunities through public sector procurement;
- Working to develop public sector employment and career opportunities for Indigenous job seekers and employees; and
- Creating employment, skilling and business opportunities for Indigenous Queenslanders through a network of regional staff including:
  - Indigenous employment and training managers to work with industry and identify sustainable employment and training opportunities;
  - Indigenous training project managers hosted by Construction Skills Queensland to identify and negotiate opportunities for employment and training under the government's Indigenous Employment Policy for Queensland Government building and civil construction projects (20 per cent policy);
  - Employment and training support officers to provide assistance to 2,000 Indigenous apprentices, trainees, vocational students and job seekers each year; and
  - Enterprise development officers to assist Indigenous businesses to develop and grow.<sup>134</sup>

107. According to evidence provided by KYDA, the Skilling Queenslanders for Work program has been successful in assisting Indigenous people to learn about work ethics and moving Indigenous job seekers into employment. KYDA's employment outcome rate for this program is approximately 60 per cent.<sup>135</sup>

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<sup>132</sup> K Giddy, J Lopez, and A Redman, *Brokering Successful Aboriginal and Torres Strait Islander Employment Outcomes: Common Themes in Good-Practice Models – Literature Review*, National Centre for Vocational Education Research, Adelaide, 2009, pp. 4-6, downloaded on 28 September 2009 from [www.ncver.edu.au](http://www.ncver.edu.au)

<sup>133</sup> Queensland Government, *Submission No. 45*, 2009, p 22.

<sup>134</sup> Queensland Government, *Submission No. 45*, 2009, p. 22.

<sup>135</sup> S Perel, Manager, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 2.

108. The committee heard evidence from KYDA and Deadly Solutions, an Indigenous employment agency, outlining that Indigenous persons seeking employment can face significant barriers that require a targeted case management approach to gaining and holding employment.<sup>136</sup>
109. KYDA made several key suggestions for helping various groups of Indigenous job seekers. Across the board they suggested more funding for literacy and numeracy programs be made available for Indigenous job seekers. For Indigenous young women, KYDA would like the government to provide specific programs and support for those women who often find it difficult to locate work later in life after raising families. Government programs specifically aimed at mature age Indigenous job seekers should be reassessed to develop skills and confidence, as these people have often only worked as part of the CDEP program.<sup>137</sup>
110. Further, KYDA suggests that programs need to incorporate an awareness of the different social barriers and needs of Indigenous job seekers and that these employment programs need to be developed as local responses to local needs, particularly in Indigenous communities that have issues of trust with any intervention. Assistance for Indigenous workers should also continue beyond the gaining of employment to help employees to maintain employment.<sup>138</sup>
111. KYDA suggested that the Queensland Government should also consider incentives for the employer. These incentives may include recognition through promotion and advertising of employers who take on Indigenous employees or trainees.<sup>139</sup>
112. KYDA suggests that the Queensland Government provide cultural awareness training for both management and staff where Indigenous workers are employed, investigate an obligatory training incentive scheme that would teach employers the value of creating a learning culture in their businesses, and implement a mentoring program for newer employees with more experienced employees.<sup>140</sup>
113. Indigenous Australians from rural and remote areas face particular challenges. These can include the need for basic life skills, such as routine, hygiene and cleanliness, budgeting skills, home life preparations and organisation.<sup>141</sup> There may also be a lack of jobs in the area, meaning that individuals do not return if they obtain training elsewhere. Additionally, many remote areas may rely on CDEP payments.<sup>142</sup>

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<sup>136</sup> S Perel, Manager, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 5; A Rose, Managing Director, Deadly Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 3.

<sup>137</sup> Kurbingui Youth Development Association, *Submission No. 14*, 2009, pp. 2-6; R Bobir, Employment Officer, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 2.

<sup>138</sup> Kurbingui Youth Development Association, *Submission No. 14*, 2009, pp. 2-6; R Bobir, Employment Officer, Kurbingui Youth Development Association, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 2.

<sup>139</sup> Kurbingui Youth Development Association, *Submission No. 14*, 2009, pp. 3-4.

<sup>140</sup> Kurbingui Youth Development Association, *Submission No. 14*, 2009, pp. 3-4.

<sup>141</sup> B Bond, *Submission No. 47*, 2009, p. 1.

<sup>142</sup> Torres Strait Regional Council, *Submission No. 7*, 2009, p. 3.

### **Committee conclusions**

114. The committee believes that employment and training programs targeted at the Indigenous community need to be coordinated to ensure that consistency exists across all levels of government and agencies regarding planning, partnerships, providing local solutions to local needs and funding.

#### **Recommendation 2:**

**The committee recommends the Queensland Government ensures Indigenous employment and training programs are coordinated across levels of government and provide local solutions to local needs.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Disadvantaged job seekers and the long term unemployed**

115. Both the Queensland Government and the OECD recognise the importance of reducing the number of vulnerable job seekers who become long term unemployed or disengaged from the workforce.<sup>143</sup> The OECD emphasises the important role that governments play in educating industry in the private and public sectors about the skills available from local job seekers who make up disadvantaged groups and the benefits of employing them. However, many of these disadvantaged job seekers are alienated or socially excluded from the workforce and often face more entrenched obstacles to rejoining the labour force than those job seekers who have been unemployed for shorter periods of time. These obstacles remain a challenge for governments when developing policies and programs that support strong jobs growth and provide labour market assistance and training to help disadvantaged job seekers participate in the labour force.<sup>144</sup>
116. In order to address some of the specific issues associated with the long term unemployed, including the social costs of unemployment, the Queensland Government is:
- Providing intensive support to those individuals in, or at risk of, persistent poverty, to reduce the impact of structural unemployment issues;
  - Providing opportunities for retrenched tradespeople and other suitably skilled people to train as teachers, including TAFE teachers; and
  - Delivering transition training and programs for retrenched workers to reskill and to take advantage of jobs in the primary industry sector.<sup>145</sup>
117. Participate in Prosperity (PIP) is a Queensland Government initiative in conjunction with the Commonwealth Government that provides vocational education and training places to job seekers. PIP, first piloted in 2008 in three communities, assists people with accessing the government and non-government services that they need to resolve a range of

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<sup>143</sup> Queensland Government, *Submission No. 45*, 2009, p. 23; C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>144</sup> Australian Council of Social Service, *Measuring Long Term Unemployment in Australia*, Information Paper 379, Australian Council of Social Service, Sydney, December 2005, p 1; C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>145</sup> Queensland Government, *Submission No. 45*, 2009, p. 9.

personal barriers, to develop skills and enter the workforce. It includes the opportunities to up-skill and reskill.<sup>146</sup>

118. SQW drives the PIP program and specifically aims to increase the economic participation of disadvantaged job seekers and promote social inclusion. The Queensland Government has committed \$23 million over four years to target low socioeconomic communities where residents are not participating in the labour market. The committee believes that increasing workforce participation will provide more workers in an economic upturn, ensuring that skills shortages are not impediments to growth.<sup>147</sup>
119. According to the Queensland Council of Social Service, the PIP program works well for disadvantaged job seekers and those who are, or are at risk of becoming, socially excluded. The program involves community based organisations and local employers providing a range of necessary support to job seekers, including assistance with transport and health services.<sup>148</sup>
120. Regional employment officers work with low-skilled individuals and other interested stakeholders, including employers and industry, to ensure localised responses to unemployment and support for the unemployed. The aim is to maximise the engagement of groups, such as sole parents, refugees, newly arrived migrants, disabled participants and underutilised workers, and create direct links between job seekers and the skills needs of local businesses and industry.<sup>149</sup>
121. According to the Queensland Council of Social Service, an improvement in, or the introduction of, the following programs is suggested to the current suite of Queensland Government employment programs:
- Maintain public infrastructure programs;
  - Improve regional adjustment packages for retrenched regional workers;
  - Focus on young people by expanding programs beyond the manual labour emphasis of the Green Army;
  - Reshape the Commonwealth Jobs Fund to work better with innovative state jobs programs;
  - Implement labour market programs with a focus on the long term unemployed and those most likely to be long term unemployed; and
  - Expand specific case management and retraining programs, particularly the PIP program<sup>150</sup>
122. QMI Solutions suggests the Queensland Government can improve employment opportunities for disadvantaged groups by implementing strategies to improve the take up of full time apprenticeships by apprentices and/or employers. They also support the provision of food sector specific opportunities for youth, mature age, Indigenous and disadvantaged workers.<sup>151</sup>

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<sup>146</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, pp. 19 and 28 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>147</sup> Queensland Government, *Submission No. 45*, 2009, p. 22.

<sup>148</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, p. 13 (powerpoint slides).

<sup>149</sup> Queensland Government, *Submission No. 45*, 2009, p. 22.

<sup>150</sup> Queensland Council of Social Service, *Submission No. 12*, 2009, pp. 12-13 (powerpoint slides).

<sup>151</sup> QMI Solutions, *Overview*, QMI Solutions, Brisbane, downloaded on 15 September 2009 from <http://www.qmisolutions.com.au>; QMI Solutions, *Submission No. 35*, 2009, pp. 12-13.

123. The committee believes that, during periods of economic upturn, programs to increase workforce participation not only provide economic benefits but also can provide better social outcomes for job seekers.

### **Job Guarantee program**

124. The Centre of Full Employment and Equity (CofFEE) at the University of Newcastle suggests that the Commonwealth and state governments implement the Job Guarantee program to create a path to full employment. The program suggests that in times of high unemployment the government should absorb displaced workers from the private sector by maintaining a 'buffer stock' of jobs targeted to specific job seekers, those unemployed for longer than 12 months and young job seekers, paying them the minimum wage.

125. These target groups are selected based on the high economic and social costs that result as the period of unemployment lengthens and when unemployment occurs at the beginning of a person's working life. In this way, the government provides a job to everyone in these target groups who is willing to work and who is unemployed.<sup>152</sup>

126. The Job Guarantee program, as outlined by CofFEE researchers, would be funded by the Commonwealth Government but would be delivered through partnerships with state and local governments as well as non-government organisations. Workers under this program would participate in community based and socially beneficial activities, including urban renewal projects, community care and environmental schemes.<sup>153</sup>

127. CofFEE has estimated the costs to implement the program at a national level to include a net investment by the Commonwealth Government of \$3.27 billion per annum. The major components of this cost include a \$1.19 billion investment to employ all unemployed 15- to 19- year olds and a \$1.96 billion investment to employ the long term unemployed.<sup>154</sup>

128. CofFEE argues that the Job Guarantee program would be less expensive than the costs of unemployment, and that only a small amount of additional investment is required to achieve positive outcomes that include (in 2003 figures):

- A rise in national output by \$7.71 billion;
- An increase in private sector consumption by \$2.38 billion; and
- The creation of an additional 689,000 jobs in the private sector, which would further decrease the unemployment rate.<sup>155</sup>

129. Research suggests that programs where the government is the employer of last resort can deliver high employment levels without increasing inflation. This type of program has been used in the United States of America (New Deal), Sweden (Corporatism) and Argentina (Jefes program).<sup>156</sup>

130. The committee is aware of the significant funding issues involved with this proposal, particularly if undertaken by the Queensland Government. The committee is also concerned that some of the job seekers absorbed by this program may not be able to find

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<sup>152</sup> R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 20.

<sup>153</sup> W Mitchell, S Cowling, and M Watts, *A Community Development Job Guarantee*, Centre of Full Employment and Equity, University of Newcastle, April 2003, pp. 7-9.

<sup>154</sup> W Mitchell, S Cowling, and M Watts, *A Community Development Job Guarantee*, Centre of Full Employment and Equity, University of Newcastle, April 2003, p. 11.

<sup>155</sup> W Mitchell, S Cowling, and M Watts, *A Community Development Job Guarantee*, Centre of Full Employment and Equity, University of Newcastle, April 2003, p. 11.

<sup>156</sup> F Kaboub, *Employment Guarantee Programs: A survey of theories and policy experiences*, Working Paper 498, The Levy Economics Institute of Bard College, New York, May 2007, pp. 18-19.

alternative work once the economy has recovered, thus remaining perpetually employed by the government.

131. The committee was not persuaded by this proposal in current economic circumstances. The committee believes that, other than in the most dire economic circumstances, labour market programs should provide job seekers with skills and work readiness enabling them to obtain employment that is economically sustainable.

### **Women**

132. The Queensland Government has two specific programs that address some of the employment challenges faced by women, who are often seeking to re-enter the workforce after a prolonged absence, or those entering male-dominated professions, particularly in the non-traditional and emerging industries. These programs are the Smart Women–Smart State Strategy and Women in Hard Hats.<sup>157</sup>
133. The Smart Women–Smart State Strategy focuses on women’s participation in the emerging industries of science, engineering and technology. Key initiatives include:
- The Smart Women–Smart State Awards that recognises women’s achievements in these industries;
  - The Smart Women–Smart State Taskforce, which developed and implemented a Science, Engineering and Technology Action Plan and delivered a report on the taskforce’s outcomes; and
  - The Smart Women–Smart State Science, Engineering and Technology (SET) Action Plan (2006 – 2009).<sup>158</sup>
134. Women in Hard Hats promotes careers and greater participation by women in non-traditional employment in the mining and construction industries as well as in emerging science and technology fields through its grants programs that support industry to build the skills and experience of women. The grants programs include the Women in Trades and Indigenous Working Women’s Fund.<sup>159</sup>

### **Regional employment**

135. Employment programs designed for regional job seekers are essential in aligning regional industry needs with job seekers’ skill levels and availability. Regional employment programs also help to maintain or increase the skills available for regional economic growth by ensuring regional workers remain in the regions and do not relocate during times of unemployment, taking their skills and spending power with them, to the economic detriment of the region.
136. The economic structure of regional communities makes them vulnerable to higher levels of unemployment during downturns as regions often rely on a small number of industries that are impacted by reductions in investment, consumption, and production. For example, in Far North Queensland, the GFC has seen a reduction in the number of tourists, which has impacted the industry and has cost jobs. In Central Queensland, declines in commodity prices and a slowing global demand have adversely affected the mining industry, one of the major industries in the region.<sup>160</sup>

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<sup>157</sup> Queensland Government, *Submission No. 45*, 2009, p. 23.

<sup>158</sup> Queensland Government, *Submission No. 45*, 2009, p. 23.

<sup>159</sup> Queensland Government, *Submission No. 45*, 2009, p. 23.

<sup>160</sup> Queensland Government, *The impact of the global financial crisis on regional Australia*, Response to inquiry held by the House of Representatives, House Standing Committee on Infrastructure, Transport, Regional Development

137. The Queensland Government established the RRTs in December 2008 to provide immediate assistance to miners facing retrenchment following the severe decline in demand for Queensland coal. A rise in the number of retrenchments in other industries, including manufacturing and construction, expanded the RRT initiative to cover retrenchments from all industries. There are currently 11 RRTs located around the state who provide support, advice and information on local training and employment referrals. Seventy per cent of people registering with the RRT are in employment one month after receiving RRT assistance.<sup>161</sup>
138. The Queensland Government submission provides that as part of its \$18 billion building program, the Queensland Government is supporting the state's regions. This infrastructure investment will contribute to the government's job creation program and also provide local training opportunities.<sup>162</sup>
139. Specific capital works projects that support employment and provide community infrastructure in regional communities areas are being funded through the Queensland Government's Sustainable Resource Communities partnership that was entered into by the Queensland Government, the Queensland Resources Council and the Local Government Association of Queensland in August 2008. The Sustainable Resource Communities partnership identifies service delivery gaps, infrastructure and skills needs as well as the roles for state and local governments and companies in terms of investment and planning for the future.<sup>163</sup> The fund targets employment in regional areas that have been affected by the downturn in the mining industry. Projects commencing in 2009 will generate up to 500 full time equivalent direct employment opportunities, as well as generate indirect employment opportunities.<sup>164</sup>
140. QMI Solutions recognises the opportunities for making use of Queensland's natural resources in creating jobs, particularly in regional Queensland, and suggests that the government could consider:
- Additional value adding to raw materials and using natural resources and taking on subsequent manufacturing steps;
  - Providing further investment in innovation and productivity improvement, such as with coal to liquid or gas to liquid processing and geothermal power generation;
  - Taking full advantage of Queensland's global position in having a stable political environment, mild climate, close proximity to the equator for aerospace projects, and areas of open land with excellent sunlight hours for solar projects; and
  - Investing in relevant infrastructure for the emerging industries.<sup>165</sup>

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and Local Government, April 2009, p. ii (Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009).

<sup>161</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, p. 12 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>162</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, p. 10 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009); Department of Transport and Main Roads, *Submission No. 10*, 2009, p. 2.

<sup>163</sup> M Roche, Chief Executive Officer, Queensland Resources Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 45-46; Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, p. 15 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>164</sup> Queensland Government, *Jobs First: Delivering Jobs for Queensland*, Queensland Government, Brisbane August 2009, p. 15 (provided to the committee as part of Queensland Government, *Submission No. 45*, 2009).

<sup>165</sup> QMI Solutions, *Submission No. 35*, 2009, p. 4.

### **Working with the Commonwealth Government**

141. The Queensland Government's employment programs work in conjunction with the Commonwealth's programs provided by Jobs Services Australia to help protect jobs and support businesses. The Commonwealth's Keep Australia Working targets communities, particularly those regions heavily reliant on industries such as manufacturing and construction that have been most affected by the economic downturn. Local employment coordinators will be appointed to assist these communities to better access support available through the Commonwealth Government's \$650 million Jobs Fund. Six of the 20 regions being targeted are in Queensland:

- Ipswich-Logan – comprising areas covered by the Ipswich and Logan city councils;
- Cairns – including areas in the Cairns, Tablelands and Cassowary Coast regional councils' boundaries;
- Townsville-Thuringowa – covering areas in the local governments of Burdekin and Hinchinbrook shire, Charters Towers regional and Townsville city councils;
- Caboolture-Sunshine Coast – comprising areas covered by the Sunshine Coast and North Moreton regional councils;
- Southern Wide Bay-Burnett – comprising areas covered by the Gympie, South Burnett and Fraser Coast Regional Councils and the Cherbourg Aboriginal Shire Council; and
- Bundaberg-Hervey Bay – including areas covered by the Bundaberg regional, Fraser Coast regional and Gladstone regional councils.<sup>166</sup>

### **Committee conclusions**

142. The committee believes that employment policies and programs should be adapted to meet the varying needs of the economic cycle. The committee believes employment policies and programs need be prepared to ensure consistency and a quick policy response to avoid high unemployment levels during future economic downturns. The government's approach to this should promote holistic and flexible case management in order to alleviate unemployment and social disadvantage.

#### **Recommendation 3:**

**The committee recommends that, following a return to better economic conditions, the Queensland Government reviews its employment policies and programs and their impacts on Queensland employment opportunities to inform policies in preparation for future economic downturns that require a quick policy response.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

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<sup>166</sup> Queensland Government, *Submission No. 45*, 2009, p. 10.



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## PART 4 – SKILLS REQUIREMENTS

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143. As part of the inquiry's terms of reference, the committee was required to consider the current and future skill requirements for the Queensland economy and how Queensland can ensure we can meet the skill requirements for an economic upturn. This section discusses this component of the inquiry.

### Skills shortages

144. A skills shortage occurs when the supply of workers is not sufficient to meet the demand for those workers at the current rate of pay.<sup>167</sup> Skills shortages lead to wage pressures and, as a result, pay increases.<sup>168</sup> However, there may be times when the wage pressure for a skills shortage is constrained by other factors, such as industrial arrangements providing similar pay rates across urban and remote communities.<sup>169</sup> Apart from wage increases, there are other ways of accommodating labour market issues, including using different technologies or changing the way work is performed.<sup>170</sup>

145. Different types of skills shortages can be classified as shown in Table 5 below.

**Table 5: Definition of skills shortages**

Skills shortage	Description
Skill shortage - level 1	There are few people with the essential technical skills that are not already using them. There is a long training time to develop the skills and/or the capacity of training organisations in the relevant field is fully utilised.
Skill shortage - level 2	There are few people with the essential technical skills that are not already using them but there is a short training time to develop the skills and/or the capacity of training organisations can be readily expanded.
Skills mismatch	There are sufficient people who have the essential technical skills that are not already using them but they are not willing to apply for the vacancies under current conditions.
Quality gap	There are sufficient people with the essential technical skills, not already using them, who are willing to apply for the vacancies but who lack some qualities that employers think are important.

Source: S Richardson, *What is a skill shortage?* National Centre for Vocational and Education Research, Adelaide, 2007, p. 17.

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<sup>167</sup> A Calderon and L Stockdale, Skills shortages and future skills requirements for the labour force, *VET in Context Conference*, 2008, p. 2.

<sup>168</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 14; S Beitz, Head of Secretariat, Skills Australia, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 14.

<sup>169</sup> S Beitz, Head of Secretariat, Skills Australia, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009,

<sup>170</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 14.

146. In its submission to the committee's inquiry, the Queensland Government identified occupations where there were skill shortages as at January 2007. These occupations, shown in Table 6, are still to be updated in the context of the GFC.<sup>171</sup>

**Table 6: Projected skills shortages, Queensland, January 2009**

Skill shortage occupations by primary use	
Supply side	Demand side
<p><b>Level 1 skill shortage</b></p> <ul style="list-style-type: none"> <li>▪ Resource managers</li> <li>▪ Engineering, distribution and process managers</li> <li>▪ Miscellaneous business and information professionals</li> </ul>	<p><b>Skills mismatch</b></p> <ul style="list-style-type: none"> <li>▪ University and vocational education teachers</li> <li>▪ Miscellaneous managing supervisors (sales and service)</li> <li>▪ Automotive tradespersons</li> <li>▪ Hairdressers</li> <li>▪ Secretaries and personal assistants</li> <li>▪ Advanced numerical clerks</li> <li>▪ Receptionists</li> <li>▪ Material recording and despatching clerks</li> <li>▪ Miscellaneous intermediate clerical workers</li> <li>▪ Intermediate sales and related workers</li> <li>▪ Mobile plant operators</li> <li>▪ Miscellaneous elementary sales workers</li> <li>▪ Cleaners</li> <li>▪ Product packagers</li> </ul>
<p><b>Level 2 skill shortage</b></p> <ul style="list-style-type: none"> <li>▪ Sales and marketing managers</li> <li>▪ Miscellaneous specialist managers</li> <li>▪ Miscellaneous business and administration associate professionals</li> <li>▪ Structural construction tradespersons</li> <li>▪ Final finishes construction tradespersons</li> <li>▪ Horticultural tradespersons</li> <li>▪ Intermediate mining and construction workers</li> <li>▪ Miscellaneous intermediate production and transport workers</li> </ul>	

Source: Queensland Government, *Submission No. 45, 2009*, p. 34.

147. Increasingly, employers are recognising that the skills base of their workforce is critical for their business success. A number of witnesses gave evidence that employers were making every effort to retain skilled workers in employment during the economic downturn.<sup>172</sup>
148. Employers have an important role to play in encouraging individuals to take on skill development opportunities, working with training providers and other bodies on skill development needs, and, where required, allowing employees time away from work to develop their skills. However, skills development commences at school with literacy and numeracy skills, school retention and helping young people to find a pathway into further education or employment.<sup>173</sup>

<sup>171</sup> Queensland Government, *Submission No. 45, 2009*, p. 34.

<sup>172</sup> D Copeman, Campaigner, Australian Manufacturing Workers' Union, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 30; R Welters, Lecturer, James Cook University, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 18.

<sup>173</sup> S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 13.

## Skills requirements

149. A national survey by the Ai Group of 250 companies with a combined annual turnover of \$21.1 billion found that in 2008, 62.6 per cent of companies indicated that they were experiencing skill shortages. In 2009, the situation changed with 25.7 per cent of companies expecting skills shortages while 62.7 per cent are not.<sup>174</sup>
150. The committee strongly supports the view of the Chamber of Commerce and Industry Queensland (CCIQ) that the economic slowdown should not be viewed as an easing of critical skills shortages but instead as an opportunity to overcome previous skills shortages and prepare for the future challenges associated with predicted skills shortages and the aging population.<sup>175</sup>
151. Different industries and regions require different skills and different methods of attaining those skills. For instance, in relation to the retail sector, the submission from Colorado Group recognises that in retail the most valuable skills are people skills, which are largely developed in the workplace and are difficult to train and certify via competency based training.<sup>176</sup> The companies surveyed by the Ai Group that experienced skills shortages in 2008 and were expecting skills shortages in 2009 were asked to nominate the occupations that they expected to have shortages in. The largest occupational area identified for skills shortages was technicians and trade workers.<sup>177</sup>
152. The state and territory skill shortage list for Queensland details nearly 150 occupations where employers are finding it difficult to recruit suitable staff. The list includes managers (such as engineering managers, directors of nursing and child care coordinators), professionals (geologists, agricultural scientists, accountants, statisticians, solicitors and economists), associate professionals (engineering associates, mine deputies and restaurant managers) and tradespersons (fitters, aircraft maintenance engineers, locksmiths, vehicle painters and jewellers).<sup>178</sup>
153. The Queensland Government released the Queensland Skills Plan in 2006 to outline its policy objectives to help match the provision of skilled labour with industry demands and the needs of the economy.<sup>179</sup> This document was updated in 2008 to draw together a number of new actions and strategies with the key elements of the original skills plan and to respond to the challenges and opportunities posed by a strong and dynamic economy and labour market.<sup>180</sup> The Queensland Skills Plan 2008 discusses developing the skills of existing workers and apprentices, engaging unemployed and underemployed people, improving youth transitions to enhance education, training and employment outcomes,

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<sup>174</sup> Ai Group, *Submission No. 43*, 2009, p. 10.

<sup>175</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Growth: Policy Priorities for Queensland's State Government*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 30 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>176</sup> Colorado Group, *Submission No. 36*, 2009, p. 2.

<sup>177</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>178</sup> Department of Education, Employment and Workplace Relations, *State and Territory Skill Shortage List – Queensland*, Department of Education, Employment and Workplace Relations, Canberra, nd, downloaded from [www.workplace.gov.au](http://www.workplace.gov.au) on 12 May 2009.

<sup>179</sup> Department of Employment and Training, *Queensland Skills Plan*, Queensland Government, Brisbane, 2006, p. 4, downloaded on 6 October 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au).

<sup>180</sup> Department of Employment and Training, *Queensland Skills Plan 2008*, Queensland Government, Brisbane, 2008, p. 1, downloaded on 6 October 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au).

building the capacity of the Queensland vocational education and training sector as well as building bridges to the professions.<sup>181</sup>

154. The Queensland Auditor-General and the Queensland Parliamentary Public Accounts Committee have also considered skills shortages recently.<sup>182</sup> Given the extensive consideration of the Queensland Skills Plan, the committee has elected not to consider this plan specifically.
155. However, the committee has heard evidence from skills and training organisations, industry bodies and local councils of the need for government to ensure that skills are matched to both regional and industry requirements. While discussed in further detail later, the committee believes that the state government should consider undertaking more formal and long term planning for skills requirements. Ideally, this process could be matched with similar planning arrangements for land use and infrastructure. This is discussed further in the regional and industry considerations section (part 6).

**Recommendation 4:**

**The committee recommends the Queensland Government undertakes formal and long term planning for skill development, tailoring skills programs to regional and industry requirements.**

**Ministerial Responsibility: Minister for Education and Training**

**Skills development at school**

156. The skills that a person develops at school play an important role in their ability to obtain employment in the future. School enhances literacy and numeracy skills. Schools can also help improve retention rates and enable young people to find a pathway into further education or employment.<sup>183</sup> The provision of additional measures to support young people at risk of not completing year 12 or equivalent training qualifications can be used to help provide skilled workers for when the economy improves.<sup>184</sup>
157. Queensland's Chief Scientist highlights that science and mathematical skills are required in knowledge economy jobs and that these skills are first developed in primary and then in senior schooling.<sup>185</sup> However, schools spend a limited amount of time on developing these skills. Approximately 2.7 per cent of total weekly teaching time is spent on teaching science in primary schools.<sup>186</sup> The average high school student completed 1.2 of core science subjects in 2005 compared with 1.65

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<sup>181</sup> Department of Employment and Training, *Queensland Skills Plan 2008*, Queensland Government, Brisbane, 2008, pp. 7-29, downloaded on 6 October 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au).

<sup>182</sup> Auditor-General of Queensland, *Addressing Skills Shortages in Queensland*, Auditor-General Report No. 7, Queensland Audit Office, Brisbane, 2007; Public Accounts Committee, *Review of Auditor-General Report 7 for 2007 – Addressing Skills Shortages in Queensland*, Public Accounts Committee, Brisbane, December 2008.

<sup>183</sup> S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 13

<sup>184</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>185</sup> P Andrews, *Queensland Science: Building a Smarter Future*, Queensland Government, Brisbane, undated, p. 19.

<sup>186</sup> Australian Academy of Science and Department of Education, Science and Training in P Andrews, *Queensland Science: Building a Smarter Future*, Queensland Government, Brisbane, undated, p. 19.

in 1989. Core science subjects include chemistry, physics, maths B, maths C and biological science.<sup>187</sup>

158. Both the Queensland Resources Council and the Ai Group support policies to encourage a greater number of students to undertake science, technology, engineering and mathematics subjects at school.<sup>188</sup> The Queensland Resources Council also supports training more teachers that are qualified to teach in these areas.<sup>189</sup>
159. Manufacturing Skills Queensland manages the Gateway Schools to the Manufacturing and Engineering Industry (MEGS) project, which is a key initiative of the Department of Education and Training.<sup>190</sup> The project assists students to transition from school into careers in manufacturing and engineering. QMI Solutions suggests that the program improves the take-up rate of apprenticeships and involvement by employers with the potential future labour force.<sup>191</sup> There are currently 24 schools involved in the MEGS project and QMI Solutions has proposed strategies to expand the number of schools involved in the process. These strategies include piloting a Diploma of Engineering technical program, expanding the prevocational 'Try a Trade' program in engineering/manufacturing or food and meat processing and offering professional development activities.<sup>192</sup>

#### **Committee conclusions**

160. The committee notes the need to ensure that Queensland schools are providing young people with the knowledge and skills for new and emerging industries. The committee believes there needs to be a stronger focus on developing these skills to ensure sufficient skilled workers in the future. The Department of Education and Training should investigate and encourage a greater focus on skills for emerging industries and, in particular, science and mathematical skills in schools.
161. The MEGS program appears to be a practical way of transitioning interested students from school to careers in manufacturing and engineering, industries where future skills shortages are likely. The committee supports further partnerships with industry to facilitate the transition from school to employment.

#### **Recommendation 5:**

**The committee recommends the Queensland Government develops programs to ensure Queensland schools are providing young people with the knowledge and skills for new and emerging industries. Some programs should include partnerships with industry to facilitate the transition from school to employment.**

**Ministerial Responsibility: Minister for Education and Training**

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<sup>187</sup> P Andrews, *Queensland Science: Building a Smarter Future*, Queensland Government, Brisbane, undated, p. 19.

<sup>188</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 8; Ai Group, *Submission No. 43*, 2009, p. 6.

<sup>189</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 8.

<sup>190</sup> QMI Solutions, *Submission No. 35*, 2009, p. 12.

<sup>191</sup> QMI Solutions, *Submission No. 35*, 2009, pp. 12-13.

<sup>192</sup> QMI Solutions, *Answer to Question Taken on Notice at the Public Hearing 4 September, 2009*, pp. 1-2.

## Combining work and study

162. Most Australian workers first enter the workforce part time while they are studying. At least two-thirds of school students have a formal part time job and the number of university students with a formal part time job is even higher. School students with a part time job tend to be very young and work very few hours per week.<sup>193</sup>
163. There are a number of benefits for school students that participate in part time work. Participation in part time work helps students to develop technical skills and other skills that make them more employable once they leave school.<sup>194</sup> This type of job also provides a buffer against unemployment once they finish school. Although these individuals may not find a full time job immediately, they are still participating in the labour market through their part time job.<sup>195</sup>
164. The participation in work while at school may provide some rewards for those from disadvantaged groups. Individuals from lower socioeconomic backgrounds, Indigenous persons and those with a learning disability or who live in a non-metropolitan region were more likely to leave school early.<sup>196</sup> However, working part time, particularly in a school based new apprenticeship, can encourage these students to complete school when they may not have done so otherwise.<sup>197</sup>
165. The committee is aware that Queensland has legislation, the *Child Employment Act 2006*, which provides safeguards to ensure that working does not interfere with a student's schooling and offers other protections for their health and safety and development. This act was passed as a result of the research conducted by the Commission for Children and Young People and Child Guardian.<sup>198</sup>

### **Committee conclusions**

166. The committee notes the benefits of combining part time work with study as outlined above. However, the committee believes other considerations, such as the impact of part time work on study, need further investigation before making a recommendation that strongly encourages this activity.

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<sup>193</sup> W Patton and E Smith, 'Part-time working by school students: What are the workplace problems and challenges?', *Youth Studies Australia*, in press, p. 5.

<sup>194</sup> W Patton and E Smith 'Part-time work of school students: Impact on employability, employment outcomes and career development', *Australian Journal of Career Development*, in press, p. 4.

<sup>195</sup> E Smith, Not all bad news, *Campus Review*, vol. 19, no. 7, 2009, p. 16.

<sup>196</sup> S Helme and J Polesel, *Young Visions 2003: A follow-up study of Young Visions participants and their destinations one year later*, Department of Education, Science and Training, Canberra, 2004, pp. 1 and 13.

<sup>197</sup> E Smith and A Green, *How workplace experiences while at school affect career pathways*, National Centre for Vocational and Educational Research, Adelaide, 2005, p. 56.

<sup>198</sup> See Commission for Children and Young People and Child Guardian, *Queensland Review of Child Labour: Summary of Findings*, April, Commission for Children and Young People and Child Guardian, Brisbane, 2005, downloaded on 6 October 2009 from [www.ccyrcg.qld.gov.au](http://www.ccyrcg.qld.gov.au).

## Training in the workplace

167. Businesses are aware of the need, where possible, to maintain training during the current downturn, as these skills will enable their businesses to take full advantage of the recovery when it occurs. They therefore need support to provide this training. The majority of businesses surveyed by the CCIQ, as part of its Pulse Survey of Business Conditions, believed that the existing training related financial incentives from government for employers are inadequate. They suggested that the size of these incentives needs improvement and incentives needed to be expanded to include a wider range of training options in order to encourage employers to invest in employee training.<sup>199</sup>
168. The most popular forms of training by businesses were on-the-job training, informal short courses, formal course/qualifications and apprenticeships/traineeships. The most common form of training was to ensure that employees had job-specific skills, such as specific technical and trade skills, communication skills, industry and business knowledge and work readiness skills (such as punctuality, organisational skills and time management).<sup>200</sup>
169. This evidence fits with the concept presented by Dr Karmel at the committee's public hearing on 18 September 2009 that a broad education, which can be used for a range of jobs, is more useful than very narrow and specific training, as these skills can be easily learnt on the job.<sup>201</sup>

## Generic skills

170. There is increasing recognition of the importance of generic skills. These types of skills help employees adjust to changing circumstances and organisational needs. They also enable innovative capabilities in all workers. Specialist skills, including science, engineering, technology and business, are also recognised as important.<sup>202</sup>
171. As shown in Figure 5, there are many types of generic skills that are clustered into two areas. The interpersonal cluster includes work readiness and work habits as well as interpersonal skills. The cognitive cluster includes enterprise, innovation and creativity skills, as well as learning, thinking and adaptability skills.<sup>203</sup>

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<sup>199</sup> Chamber of Commerce and Industry Queensland, 2009, *Pulse Survey of Business Conditions*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 7 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

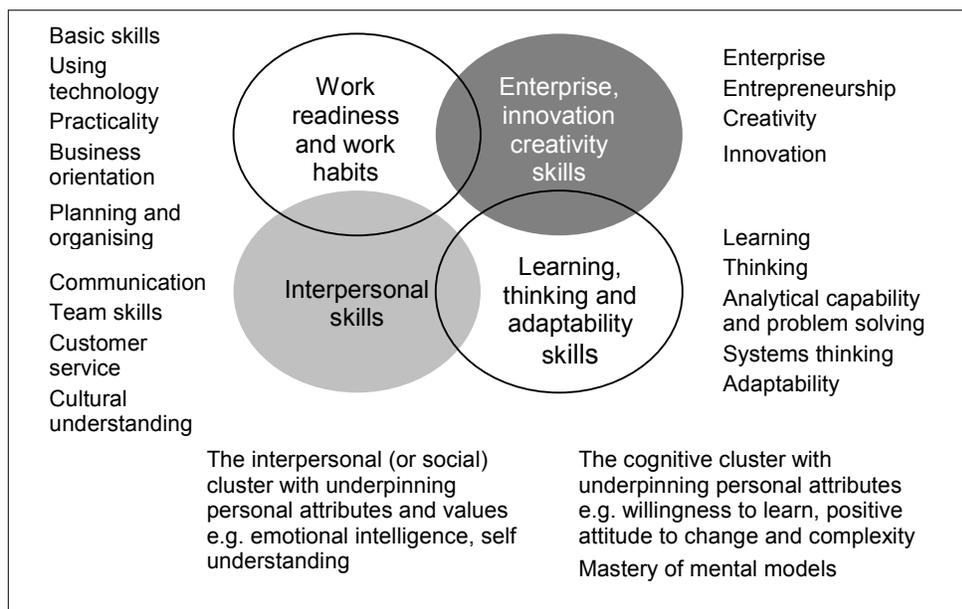
<sup>200</sup> Chamber of Commerce and Industry Queensland, 2009, *Pulse Survey of Business Conditions*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 7 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>201</sup> National Centre for Vocational Education Research, *Australian Vocational Education and Training Statistics: Apprentices and Trainees, March Quarter – 2009*, National Centre for Vocational Education Research, Adelaide, downloaded on 14 September 2009 from [www.ncver.edu.au](http://www.ncver.edu.au); S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 11.

<sup>202</sup> Ai Group, *Submission No. 43*, 2009, pp. 11-12.

<sup>203</sup> P Kearns, *Generic Skills for the New Economy: Review of the Research*, National Centre for Vocational Education Research, Adelaide, 2001, p. 51.

**Figure 5: A model of generic skills**



Source: P Kearns, *Generic Skills for the New Economy: Review of the Research*, NCVER, Adelaide, 2001, p. 51.

172. In order for education to assist in employment outcomes, it needs to be relatively substantial and of high quality. A short course of a few weeks is unlikely to make a difference to employment outcomes. Short courses do have a role in meeting barriers to employment such as occupational health and safety and obtaining a licence to drive a car, forklift or truck. Courses should contain well-developed generic employability skills.<sup>204</sup>
173. Research recommends that generic employability skills complement the training that learners are already receiving.<sup>205</sup> Tertiary students are often expected to develop these types of skills in a work placement that is part of their degree.<sup>206</sup>
174. Given the critical nature of generic skills, the committee believes that all job seekers should have access to support to develop and update these skills. The Queensland Government should encourage agencies to provide this support.

<sup>204</sup> A Calderon and L Stockdale, Skills shortages and future skills requirements for the labour force, *VET in Context Conference*, 2008, p. 2.

<sup>205</sup> M Cushnam, *Beyond Mayer: Learning from delivering and assessing generic employability competencies*, National Centre for Vocational Education Research, Adelaide, 2009, p. 23.

<sup>206</sup> A Bates, M Bates and L Bates, 'Preparing Students for the Professional Workplace: Who has responsibility for what?', *Asia-Pacific Journal of Cooperative Education*, vol. 8, no. 2, 2007, p. 121.

## Vocational education and training

175. The Queensland vocational education and training (VET) system has a large impact on skills development, with over half of employers using this system to meet their skills requirements. This interaction can occur through organisations requiring staff to have vocational qualifications, employing apprentices and trainees or by providing or coordinating nationally recognised training for their employees. While recent research has found that less than 10 per cent of employers are dissatisfied with the system, the areas of concern raised include failing to teach relevant skills, providing training that is too general and not specific enough and lacking a focus on practical skills training.<sup>207</sup> Given the general support for the system, the committee did not identify a need to make any broad recommendations regarding the vocational education and training system.

## Apprenticeships and traineeships

176. The focus of policymakers since the early 1990s has been on the new apprenticeship system. However, the inclusion of both apprenticeships and traineeships in the VET system has masked divergent trends.<sup>208</sup> Historically, apprenticeship commencement rates fall during economic downturns and when the unemployment rate increases as seen in Figure 6.<sup>209</sup> This has occurred during the current economic downturn, with a decline of 21.2 per cent nationally in trade apprentice commencements from the March quarter 2009 compared with the March quarter 2008.<sup>210</sup> The decline in commencements is significant as there are fewer skilled individuals available as the economy improves.<sup>211</sup>

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<sup>207</sup> T Rittie and T Awodyi, *Employers' views on improving the vocational education and training system*, Occasional Paper, National Centre for Vocational Education Research, Adelaide, 2009, p. 7.

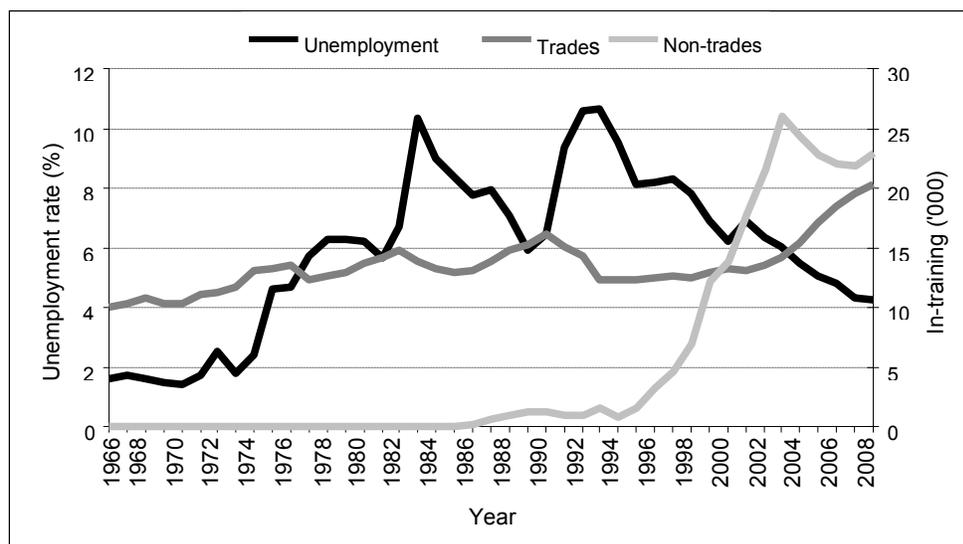
<sup>208</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorp Skills Forum, Sydney, July 2003, p. 26.

<sup>209</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 10; S Beitz, Head of Secretariat, Skills Australia, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 11.

<sup>210</sup> National Centre for Vocational Education Research, *Australian Vocational Education and Training Statistics: Apprentices and Trainees, March Quarter – 2009*, National Centre for Vocational Education Research, Adelaide, downloaded on 14 September 2009 from [www.ncver.edu.au](http://www.ncver.edu.au); S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 16.

<sup>211</sup> S Beitz, Head of Secretariat, Skills Australia, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 11.

**Figure 6: Apprentice in-training and unemployment rates, Australia, 1966 to 2008**



Source: T Karmel, *Additional Information Provided to the committee, National Centre for Vocational Education Research, Adelaide*

177. It is important to note that, although commencements are falling, apprentices are likely to complete their apprenticeships. Generally, if the economic environment is negatively affected while an apprentice is part-way through his/her apprenticeship, the employer will assist them to finish their apprenticeship, even if they may be unemployed after becoming qualified.<sup>212</sup>
178. CCIQ advised that the businesses surveyed by it indicated they had not reduced the number of apprentices and trainees currently employed.<sup>213</sup> If an employer cannot continue to employ an apprentice, there are out-of-trade registers, including one in Queensland, to help apprentices reconnect with another employer.<sup>214</sup>
179. Traineeships are a more recent development and, as a result, there is less data regarding how traineeships are affected by an economic downturn. However, the National Centre for Vocational Education Research (NCVER) data suggests that traineeships have not been affected to the same degree as apprenticeships.<sup>215</sup>
180. There are a number of suggested responses to the declining apprentice training rates. These include changes to incentive arrangements, re-invigorating pre-apprenticeship programs, increasing public sector training, improving the quality of

<sup>212</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 15.

<sup>213</sup> Chamber of Commerce and Industry Queensland, 2009, *Pulse Survey of Business Conditions*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 7 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>214</sup> S Beitz, Head of Secretariat, Skills Australia, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 15.

<sup>215</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 10

group training companies, improving multi-employer coordination<sup>216</sup> and using a more institutional approach for traditional trade training.<sup>217</sup>

181. Incentive arrangements could be changed to assist in increasing the number of apprentices in training. For example, levies could be imposed in industries such as the construction industry, in order to fund activities including pre-apprenticeship schemes and skill centres.<sup>218</sup> Alternatively, the structure of government incentives could be altered to increase commencement rates.<sup>219</sup> The committee notes that the Queensland Government announced an additional payroll tax incentive for employers of apprentices and trainees in March 2009.<sup>220</sup>
182. During periods of economic decline and falls in apprenticeship commencement, the use of pre-apprenticeship programs helps to resolve issues such as the declining quality of apprenticeship applicants and the loss of apprentices who do not complete their trade. The pre-apprenticeship program provides experience to participants so they are able to identify if they are suited to their selected trade. The use of theoretical and practical skills tends to make students more attractive to employers at the end of their training.<sup>221</sup>
183. A new pre-apprenticeship training model driven by Skills Queensland and its industry partners is being implemented to assist prospective apprentices during the economic decline. Once apprentices are employed in an apprenticeship, the government will also provide opportunities for accelerated progression through the apprenticeship pathway.<sup>222</sup>
184. This institutional pre-apprenticeship model approach assists unemployment in two ways: by recognising the negative impact of the economic downturn on the number of apprenticeships and the related risk to vulnerable workers; and the impact on future skills availability during the recovery of the economy. The model involves training and assessment in a particular industry area and is undertaken entirely off the job, and sometimes with a component of work experience.<sup>223</sup> The new institutional or pre-apprenticeship training model will help provide individuals with a head start when fewer businesses can take on an apprentice and will provide around 2,000 places.<sup>224</sup>

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<sup>216</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorp Skills Forum, Sydney, July 2003, pp. 20-25.

<sup>217</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 10

<sup>218</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorp Skills Forum, Sydney, July 2003, p. 21.

<sup>219</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>220</sup> S Fergusson, Executive Director, Research and Policy Legislation Division, Department of Education and Training, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 10.

<sup>221</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorp Skills Forum, Sydney, July 2003, pp. 21-22.

<sup>222</sup> Department of Education and Training, *About the pre-apprenticeship skilling model*, Queensland Government, Brisbane, downloaded on 14 September 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au).

<sup>223</sup> Queensland Government, *Submission No. 45*, 2009, p. 36; Department of Education and Training, *About the pre-apprenticeship skilling model*, Queensland Government, Brisbane, downloaded on 14 September 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au).

<sup>224</sup> Department of Education and Training, *About the pre-apprenticeship skilling model*, Queensland Government, Brisbane, downloaded on 14 September 2009 from [www.training.qld.gov.au](http://www.training.qld.gov.au); P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 9.

185. However, the evidence received by the committee was that the model of institutional training was not supported by industry and unions,<sup>225</sup> other than in declining economic conditions.
186. The large scale reduction of the number of apprentices trained by the public sector, partially due to privatisation over recent decades, has had a strong impact on the number of skilled apprentices.<sup>226</sup> The committee notes that the Queensland Government has a 10 per cent Training Policy that requires that a minimum of 10 per cent, and up to 25 per cent, of the total labour hours on any Queensland Government building or civil construction project must be undertaken by Indigenous workers, apprentices, trainees or cadets or used for the up-skilling of existing employees. The policy applies to Queensland Government buildings valued over \$250,000 or \$500,000 for civil construction.<sup>227</sup> Some submitters to the committee raised concerns about contractor compliance with the state government training policy.
187. Group training occurs when an organisation employs an apprentice and then places them with a host employer. Group training is becoming more important within the apprenticeship system. The group training companies share of traditional apprenticeships grew from 13 per cent in 1995 to 17 per cent in 2000.<sup>228</sup> Therefore, there is a need to ensure that group training companies use 'best practice' models to train apprentices.<sup>229</sup> Supporting these companies to employ all eligible 'out-of-trade' traditional apprentices will assist in the provision of skilled labour once the economy improves.<sup>230</sup>
188. Improving coordination at a local level between employers, apprentices and training organisations may help to promote apprenticeships more effectively. This allows industry to identify their training needs to the training organisation while the training organisation is able to promote the value of apprenticeships. However, Toner suggests that there is no need for this type of program to be promoted across all training colleges. They have been most successful in regional areas.<sup>231</sup>
189. There are various options for institutional approaches to apprenticeships. One model is for the apprentice to obtain an institutional qualification in a trade that immediately equips him or her to be a fourth-year apprentice. This means that the apprentice is only required do an extra year of on-the-job training. However, there would need to be negotiation regarding the industry structures that have been set up under the existing system.<sup>232</sup>

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<sup>225</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 10.

<sup>226</sup> D Worland and J Doughney, 'The decline in apprenticeship training in the electrical and associated industries', *Australian Bulletin of Labour*, vol. 28, no. 2, 2001, p. 92.

<sup>227</sup> Queensland Government, *10 per cent Training Policy*, Queensland Government, Brisbane, 2009, p. 1, downloaded on 7 October 2009 from [www.trainandemploy.qld.gov.au](http://www.trainandemploy.qld.gov.au).

<sup>228</sup> P Toner, D Macdonald, and N Croce, *Group training in Australia: A study of group training organisations and host employers*, National Centre for Vocational and Educational Research, Adelaide, April 2004, pp. 6 and 29.

<sup>229</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorf Skills Forum, Sydney, July 2003, p. 24.

<sup>230</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>231</sup> P Toner, *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, Dusseldorf Skills Forum, Sydney, July 2003, pp. 24-25.

<sup>232</sup> T Karmel, Managing Director, National Centre for Vocational Education Research, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, pp. 12-13.

### **Committee conclusions**

190. The committee believes that the decline in apprenticeship commencement rates will have a significant impact on the availability of skilled labour when the economy improves. For this reason, the committee identifies the need to smooth out the commencement of traditional apprenticeships so the fall is minimised during an economic downturn. The section above has outlined a number of options that can be used to achieve this. Given the short time frame of the inquiry, the committee has been unable to investigate each individual option.
191. The committee notes the historic reduction of apprentices trained by the public sector and the long term impact this may have on skills. The committee believes that research into the impact of the 10 per cent training policy is required to assess the outcomes of the policy on traditional apprentice commencements.

#### **Recommendation 6:**

**The committee recommends the Queensland Government investigates further possible responses to the decline in apprenticeship training arrangements including: changes to incentive arrangements; re-invigorating pre-apprenticeship programs; increasing public sector training; supporting best practice in group training companies and improving multi-employer coordination; and during times of economic decline, using a more institutional approach for apprenticeship training in order to minimise the cyclical fall in traditional apprenticeships.**

**Ministerial Responsibility: Minister for Education and Training**

#### **Recommendation 7:**

**The committee recommends the Queensland Government reviews the enforcement regime for the 10 per cent Training Policy and report on the effectiveness of this policy in increasing the number of apprenticeships and trainees.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Tertiary training**

192. Higher education fulfils a number of important functions including teaching and research and, through those activities, building a stronger economy.<sup>233</sup> One dollar invested in a university and its research programs generates approximately three times that in economic impact.<sup>234</sup> This highlights the possibility that universities can be seen as an engine for economic growth, particularly in regional areas.<sup>235</sup>
193. As well as teaching specific skills, universities provide generic and transferable skills to students including learning, thinking, interacting and communicating.<sup>236</sup> However, in order to develop a range of skilled and professional workers, there needs to be sustained investment in education and training.<sup>237</sup> The Bradley Review of Higher Education was completed in late 2008 and highlighted a number of areas for improvement including the need for additional resourcing for the tertiary

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<sup>233</sup> D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian Higher Education: Final Report*, December 2008, pp. 5-6.

<sup>234</sup> Bond University, *Submission No. 16*, 2009, p. 2.

<sup>235</sup> Southern Cross University, *Submission No. 6*, 2009, p. 2.

<sup>236</sup> University of the Sunshine Coast, *Submission No. 11*, 2009, p. 4.

<sup>237</sup> Southern Cross University, *Submission No. 6*, 2009, p. 3.

sector.<sup>238</sup> Given that this extensive review was completed recently, the committee does not believe that it is necessary to comment on this issue further.

### ***Retaining scientists and researchers in higher education institutes***

194. There is a need within Queensland to develop a strong academic and research workforce in order to ensure that innovative research is undertaken and there is quality training for the future workforce. Throughout the world, the higher education sector is finding it increasingly difficult to attract and retain high quality staff. This is related to a number of issues including remuneration, research, teaching and administrative resource pressures, increased workload and job security.<sup>239</sup> While it is beyond the scope of this report to address each of these in detail, the committee notes that pay is an issue with academic researchers able to earn significantly more outside of the higher education environment.<sup>240</sup>
195. The lower pay is often coupled with the use of short term contracts or casualisation and a lack of permanent roles. Permanent academics tend to have a high level of professional autonomy and income security while casual academics, who tend to have the same level of qualifications, are paid by the hour and have limited income security.<sup>241</sup> If academics and researchers are unable to obtain a permanent position, they are more likely to exit the higher education sector.<sup>242</sup>
196. Over the past decade, under the Smart State Strategy, the Queensland Government has provided funding for research and development infrastructure with the establishment of 36 new research institutes.<sup>243</sup> The Queensland Government is refocusing its Smart State Strategy away from infrastructure and towards funding researchers. This includes funding a health and medical research program for six Senior Clinical Fellows, 22 Health Research Fellows and 12 Clinical Academic Fellows.<sup>244</sup>
197. The committee believes that it is important that the government focuses on providing opportunities for individuals to develop their research careers within Queensland. However, the provision of several research positions, while beneficial, is unlikely to fix the underlying structural issues within the sector. The committee believes the Queensland Government should liaise with the Federal Government regarding methods of developing stronger career paths for researchers.
198. It is also important that the research undertaken in Queensland provides economic growth benefits to Queensland. The committee notes that under the Smart State Strategy, the government is implementing a number of initiatives to create

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<sup>238</sup> D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian Higher Education: Final Report*, December 2008, pp. 141-174.

<sup>239</sup> D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian Higher Education: Final Report*, December 2008, pp. 23-25.

<sup>240</sup> H Metcalf, H Rolfe, P Stevens and M Weale, *Recruitment and Retention of Academic Staff in Higher Education*, Research Report No. 658, National Institute of Economic and Social Research, United Kingdom, 2005, p. 17.

<sup>241</sup> T Brown, J Goodman, and K Yasukawa, 'Casualisation of academic work: industrial justice and quality education', *Dialogue*, vol. 27, no.1, 2008, p. 17.

<sup>242</sup> H Metcalf, H Rolfe, P Stevens and M Weale, *Recruitment and Retention of Academic Staff in Higher Education*, Research Report No. 658, National Institute of Economic and Social Research, United Kingdom, 2005, pp. 27-28

<sup>243</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 1.

<sup>244</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 2.

partnerships to ensure that the economic opportunities from research are being taken.<sup>245</sup> These initiatives include funding national and international research projects facilitated between researchers, industry, the community and government, as well as funding for research and ideas development between researchers and industry, focusing on Queensland's regions.

### Skilled migration

199. Skilled migration is one countermeasure for addressing skills shortages.<sup>246</sup> Internationally, most developed countries are beginning to use skilled programs or special purpose visas, similar to the Australian system, to address skills shortages. Australia is considered a leader in its skilled migration program and research into this area.<sup>247</sup>
200. Research suggests that the primary reason that employers sponsored temporary business entrants was because these people had the required skills and that workers with these skills were not available within Australia. For this reason, the migrant workers were not taking jobs that could be undertaken by Australian workers.<sup>248</sup>
201. The need for skilled migrants reflects on the education and training institutions within Australia and suggests that these systems are not training enough skilled people.<sup>249</sup> However, some research suggests that skilled migration may reduce the number of individuals that receive training for these skills in Australian institutions, although further research is required in this area.<sup>250</sup>
202. The Ai Group states that there is a need for skilled migration to continue to meet future skill needs. The number of planned infrastructure and energy-related projects creates strong demand for skilled workers and this demand can only be met by skilled migration in the short to medium term.<sup>251</sup>
203. The Queensland Government participates in the Commonwealth Government's Skilled Sponsored and Skilled Regional Sponsored visa programs. The Australian Government undertakes the visa assessment but the Queensland Government invites prospective migrants to apply for nomination if they have an occupation on the eligible skills list where there is a demand in Queensland.<sup>252</sup>

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<sup>245</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 2.

<sup>246</sup> Productivity Commission, *Economic Impacts of Migration and Population Growth*, Productivity Commission, Canberra, April 2006, p. 169.

<sup>247</sup> J Phillips, *Skilled migration to Australia*, Australian Parliamentary Library, Canberra, June 2006, p. 1, downloaded on 14 October 2009 from [www.aph.gov.au](http://www.aph.gov.au).

<sup>248</sup> S-E Khoo, C Voight-Graf, P McDonald, and G Hugo, *A Global Market: The recruitment of temporary skilled labour from overseas. Second Report on ARC Linkage Project – Temporary Overseas Migration to Australia*, Department of Immigration and Multicultural and Indigenous Affairs, Canberra, May 2004, p. 13.

<sup>249</sup> S-E Khoo, C Voight-Graf, P McDonald, and G Hugo, *A Global Market: The recruitment of temporary skilled labour from overseas. Second Report on ARC Linkage Project – Temporary Overseas Migration to Australia*, Department of Immigration and Multicultural and Indigenous Affairs, Canberra, May 2004, p. 13.

<sup>250</sup> P Robertson, 'The biggest loser: Education and skilled immigration in Australia', *Agenda*, vol. 15, no. 1, 2008, pp. 85–95.

<sup>251</sup> Ai Group, *Submission No. 43*, 2009, p. 11.

<sup>252</sup> Queensland Government, *Submission No. 45*, 2009, p. 37.

### **Committee conclusions**

204. The committee supports the use of skilled migration programs to counter short term skills shortages within Queensland. However, skilled migration should not reduce the number of individuals that are being trained in the required skills within Australia. The committee believes the Queensland Government has a role to ensure that this situation does not occur.

#### **Recommendation 8:**

**The committee recommends the Queensland Government regularly monitors the need for skilled migration and ensures skilled migration does not replace the training and education of local workers.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Regionally specific considerations**

205. When assessing current and future skills requirements, there are regionally specific considerations. Given that Australia is a large and sparsely populated country, it can be difficult to ensure that there is equitable provision of training to all individuals.<sup>253</sup> In some cases in Queensland, it is not possible for individuals to complete required training within their local area. For instance, purchasing officers located in the Torres Strait region, may need to complete training at a Brisbane TAFE college rather than at the TAFE college on Thursday Island. This involves an additional expense for the employer.<sup>254</sup>
206. The local availability of knowledge and skills is becoming increasingly important.<sup>255</sup> There are a number of advantages to training people within their own regions. This enables the provision of skilled staff in these areas. There is also the increased likelihood that they will use their skills in their region if they study within their home town.<sup>256</sup>
207. Private registered training organisations may be one way of providing required training in regions. These organisations provide skills, training and employment opportunities for the whole community, including disadvantaged groups.<sup>257</sup> They are able to respond quickly to market demand with different methods of delivery of material that are not always used by the public education sector and can operate in various locations and regions that the state government may not be able to effectively accommodate.<sup>258</sup> An alternative method of providing skills in the regions is through the use of flexible learning options delivered through institutions such as universities.<sup>259</sup>

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<sup>253</sup> D Bradley, P Noonan, H Nugent, and B Scales, *Review of Australian Higher Education: Final Report*, December 2008, p. 2.

<sup>254</sup> R Scarce, Chief Executive Officer, Torres Strait Island Regional Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 26.

<sup>255</sup> OECD in Southern Cross University, *Submission No. 6*, 2009, p. 1.

<sup>256</sup> University of Southern Queensland, *Submission No. 23*, 2009, p. 3.

<sup>257</sup> Australian Council for Private Education and Training, *Submission No. 44*, 2009, p. 4.

<sup>258</sup> Australian Council for Private Education and Training, *Submission No. 44*, 2009, p. 5.

<sup>259</sup> University of Southern Queensland, *Submission No. 23*, 2009, p. 3.

### **Committee conclusions**

208. Given the shortage of skills across the state, place of residence should not prohibit the development of skills. Technology and educational delivery systems have evolved over the past few years so that it is no longer necessary for all coursework to take place in a face-to-face environment. These technologies can be used to provide training in a manner that is more accessible to those living in the regions. The committee believes that the Queensland Government should undertake to ensure that the learning opportunities of individuals living in regional areas is maximised through the use of flexible delivery options for education.

#### **Recommendation 9:**

**The committee recommends the Queensland Government reviews learning opportunities for individuals living in regional areas to ensure flexible delivery options are provided in order to maximise these opportunities.**

**Ministerial Responsibility: Minister for Education and Training**

### **Industry specific skills shortages**

209. Throughout this inquiry, some industries such as the nursing and resources industries highlighted the specific skills shortages that were affecting their industries. Given the time frame provided by the Legislative Assembly, the committee is not in a position to provide an in-depth discussion of these shortages. The committee has decided to provide some brief comments relating to these industries.
210. Over the next 20 years, and using a predicted retirement age of 65, Australia will lose 60 per cent of existing employed registered and enrolled nurses through retirement. The number of new graduates from existing education programs will not replace these nurses.<sup>260</sup> By contrast, there is a strong predicted need for growth in the health workforce. Between 2001 and 2006 the growth in the numbers employed in health occupations was almost double that of all other occupations and this growth is expected to continue.<sup>261</sup>
211. The mining and resources industry in Queensland is likely to be negatively affected by a lack of skilled labour.<sup>262</sup> This skills shortage is a result of an ageing workforce, a 'brain drain' as Australian graduates use their skills overseas, increased production requirements, changing dynamic of the required skills as a result of new technology and the changing economic cycle of the resources industry (a sustained pattern of growth rather than the traditional shorter growth cycles).<sup>263</sup> The Queensland Resources Council notes that it takes time to complete a training program, such as a university degree, and then develop into an experienced employee.<sup>264</sup> The Queensland Resources Council suggests that the establishment of an independent skills authority would assist in skills planning and investment in the context of industry and economic outcomes. The Queensland Resources

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<sup>260</sup> Australian Institute for Health and Welfare cited in Queensland Nurses Union, *Submission No. 37*, 2009, p. 4.

<sup>261</sup> E Mohle, Assistant Secretary, Queensland Nurses Union, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 24.

<sup>262</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 4.

<sup>263</sup> Mining Industry Skills Centre. 2009, *What is the Mining Industry Skills Strategy?*, p. 1, downloaded on 13 October 2009 from [www.miskillscentre.com.au](http://www.miskillscentre.com.au).

<sup>264</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 12.

Council argues that this authority would be valuable to other industries, apart from the resources sector.<sup>265</sup>

**Committee conclusions**

212. The committee notes the need for urgent action relating to the skills requirements in industries such as nursing and the resources sector. It is beyond the scope of this report to consider this issue in detail. The Queensland Resources Council suggested establishing an independent skills authority. However, the committee believes that such an authority would duplicate the work of Skills Australia. Instead, the committee believes it is more appropriate for the Queensland Government to work closely with Skills Australia to develop strategies to address skills shortages for industries important to Queensland.

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<sup>265</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 5.

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## PART 5 – INNOVATION

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213. The link between innovation and the productive and competitive nature of an economy is well recognised.<sup>266</sup> Although economies can grow by improving institutions, building infrastructure, reducing macroeconomic instability or improving human capital, these factors appear to become less effective over time. Only innovation can improve standards of living in the long term.<sup>267</sup> Growth in innovation activities leads to a growth in employees needed for innovation and an increasing need for highly skilled workers across the economy as a whole.<sup>268</sup>
214. The definitions the committee uses for innovation and research and development are taken from the Queensland Government's Smart State Strategy. Innovation is the process of converting knowledge and ideas into better ways of doing business or into new and improved products and services that increase productivity and are of value to the community. The innovation process incorporates research and development, commercialisation and technology diffusion. Research and development comprises creative work undertaken on a systematic basis in order to increase the stock of knowledge and the use of this knowledge to devise new applications. Research and development is a component of the broader innovation process.<sup>269</sup>
215. Innovation is directly involved in determining the prosperity of an economy and is therefore central in economic policy.<sup>270</sup> Australia's innovation and global performance are essential to per capita incomes and living standards. Innovation also protects Australia from the effects of global downturns as well as accelerating the recovery of the economy. Innovation therefore has a direct impact on both current and future employment levels.<sup>271</sup>
216. Innovation in the 21<sup>st</sup> century requires the involvement of entrepreneurs, policymakers, researchers, workers and consumers in the innovation system.<sup>272</sup> This is essential for innovation as this collaboration across sectors and skill sets enhances the opportunities and environment for businesses to innovate, ensures that knowledge, skills and techniques are shared between research institutes and industry and the benefits are experienced by workers, consumers, entrepreneurs and the wider economy as a whole.<sup>273</sup>
217. Governments have several key roles in supporting innovation to ensure that both private and public sectors and large and small firms are engaging in innovative

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<sup>266</sup> T Cutler, *Venturous Australia: Building strength in innovation*, Department of Innovation, Cutler and Company, Melbourne, 2008, p. 1.

<sup>267</sup> X Sala-i-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 7.

<sup>268</sup> OECD, *OECD Science, Technology and Industry Outlook*, OECD, Paris, 2008, p. 55.

<sup>269</sup> Queensland Government, *Smart Queensland Smart State Strategy 2005-2015*, Queensland Government, Brisbane, p. 42, downloaded on 12 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>270</sup> T Cutler, *Venturous Australia: Building strength in innovation*, Cutler and Company, Melbourne, 2008, p. 1.

<sup>271</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p 1.

<sup>272</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p 1.

<sup>273</sup> T Cutler, *Venturous Australia: Building strength in innovation*, Cutler and Company, Melbourne, 2008, p. 4.

activities. This promotes economic development for the economy, particularly in knowledge-intensive industries that are the key drivers in the global economy. Governments need to:

- Stimulate research and development directly by establishing universities and research institutes and indirectly through tax and subsidy schemes;
- Evaluate innovation policies and programs;
- Regulate the business environment;
- Be a major producer and employer in the economy;
- Set priorities and strengthen coordination across government agencies;
- Improve skills and expand the research capacity of the state; and
- Boost collaboration – domestically and internationally – across the innovation system.<sup>274</sup>

218. By performing in these areas, the government helps to increase innovation in the business, government and community sectors by taking innovative ideas and turning them into profitable products and services. The role of governments is to provide assistance for entrepreneurs to commercialise their ideas in Australia so that the benefits of innovation, including wealth and job creation and increases to per capita income, are experienced within the economy.<sup>275</sup>

### **Innovation in Australia**

219. The relationship between entrepreneurship, economic development and institutions is critical in order to understand why some economies are more competitive, and therefore more attractive to business, than others. As private sector activities contribute to the economic growth of an economy (state or national), governments are responsible for creating an enabling environment for the private sector to work efficiently and grow.

220. Australia's ranking in global competitiveness has dropped from the 5<sup>th</sup> most competitive country in the World Economic Forum's *Global Competitive Index* to the 15<sup>th</sup> over the last nine years.<sup>276</sup> Around 2002 Australia's productivity went from growing substantially faster to growing substantially slower than the OECD average.<sup>277</sup>

221. Although Australia has improved its ranking from 18<sup>th</sup> to 15<sup>th</sup> over the last year, one of only five countries to have raised their ranking,<sup>278</sup> the reasons for Australia's overall decline in its global competitiveness include the decrease in

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<sup>274</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p 4; E Webster, 'Policy Forum: Enhancing the National Innovation System. Does Australian Have a 'National Innovation System'?', *The Australian Economic Review*, vol. 42, no. 1, 2008, p. 85.

<sup>275</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p 3.

<sup>276</sup> X Sala-I-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 13.

<sup>277</sup> T Cutler, *Venturous Australia: Building strength in innovation*, Department of Innovation, Cutler and Company, Melbourne, 2008, p. ix.

<sup>278</sup> X Sala-I-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 9.

Commonwealth government spending on science and innovation by 22 per cent as a share of Gross Domestic Product since 1993-1994 and a decline of business spending on research and development since the 1990s. Although spending has increased since then, it lags behind that of many other developed countries. The proportion of Australian firms introducing innovations remains at one in three, the number of researchers per 1,000 employees has declined substantially in the last decade and US patents granted per 1,000 population dropped from 0.06 to 0.01 between 1999–2003.<sup>279</sup>

222. Australia is a middle-ranking, innovation-driven economy compared to other OECD nations.<sup>280</sup> The keys for an innovation-driven economy are business sophistication and innovation.<sup>281</sup> In Queensland, the economy has matured so that the emphasis on industrial activity is gradually shifting towards an expanding service sector that caters to the needs of an increasingly affluent population.<sup>282</sup> In order to maintain its competitive edge, an innovation-driven economy needs to have industry designing and developing new products and processes and a business environment that encourages innovative activity. This requires investment in research and development, particularly by the private sector, the presence of high-quality scientific research institutions, research collaboration between universities and industry, and the protection of intellectual property.<sup>283</sup>
223. It is important to note that from a national perspective, Australia remains behind other countries in relation to spending on research and development (R&D). For example, China's R&D spending has grown by 22 per cent a year since 1996, compared to eight per cent in Australia. In addition, Australia spends two per cent of Gross Domestic Product on R&D compared with the US, Germany, Denmark, Switzerland, Taiwan, Austria and Iceland, which spend more than 2.5 per cent; Finland, Japan, South Korea and Sweden, which spend more than three per cent; and Israel, which spends more than four per cent.<sup>284</sup>
224. The Australian Government acknowledges the importance of innovation and has established Enterprise Connect to help deliver support directly to businesses by promoting a national network of manufacturing and innovation centres. In this way, the program links small businesses with other players in the innovation sector, including researchers and manufacturers, to enable ideas to be commercialised and applied throughout Australian businesses.<sup>285</sup>

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<sup>279</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, pp. 2-3; T Cutler, *Venturous Australia: Building strength in innovation*, Cutler and Company, Melbourne, 2008, p. viii.

<sup>280</sup> B Anker, Deputy Director-General Innovation, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 16-17.

<sup>281</sup> X Sala-I-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 8.

<sup>282</sup> N Bosma, Z Acs, E Autio, A Coduras and J Levie, *Global Entrepreneurship Monitor, 2008 Executive Report*, Global Entrepreneurship Research Consortium, 2009, p 8

<sup>283</sup> X Sala-I-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 7.

<sup>284</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p. 3.

<sup>285</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p. 49.

225. In Queensland, the total spending on R&D increased from 1.07 per cent of Gross State Product to 1.36 per cent between 1995 and 2004-2005. Although Queensland spends over \$2 billion per year on R&D and the research is of the highest quality, Queensland's contribution to R&D is only 0.13 per cent of global expenditure on R&D. This puts Queensland at a competitive disadvantage against leading economies driven by knowledge-intensive industries that are based on levels of innovation and R&D.<sup>286</sup>
226. In comparison to leading OECD countries that have levels of 40 per cent or more of added economic value due to knowledge-intensive industries, Queensland sits at 30 per cent. The main reason for this difference is the significantly lower level of business expenditure on R&D in Queensland relative to the OECD. However, public sector investment in R&D is at least equivalent to that in other leading economies.<sup>287</sup>
227. Innovation is particularly important in advanced countries like Australia, where improvements in areas such as institutions, infrastructure and labour, financial and goods markets no longer produce substantial improvements in levels of competitiveness. When a country reaches that point, standards of living can only be expanded by innovation.<sup>288</sup>
228. The Queensland Government has a number of programs in place to promote private sector innovation. These are explored in further detail in the following section.

### Business innovation

229. Innovation is a multistep process that starts with an idea and is followed by research and development, commercialisation and technology diffusion which allows the dissemination of technical information and knowledge and ultimately the adoption of new technologies by users.<sup>289</sup> Innovation requires government policies that support business innovation, reduce obstacles for businesses to innovate, provide incentives to turn innovative ideas into a product or service and therefore increase productivity, and promote collaboration between business, industry, government and research and development institutes.
230. There is a move toward a market based approach to encouraging innovation in the private sector. The market (industry, business, the private sector) identifies a problem or gap in the market and seeks to find a solution in order to improve efficiency. This approach helps to improve the adoption rates of new technologies, products and services that are specifically designed to increase the productivity and profitability of the industry or business.<sup>290</sup>

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<sup>286</sup> P Andrews, *Queensland Science: Building a Smarter Future*, Queensland Government, Brisbane, undated, p. 2.

<sup>287</sup> P Andrews, *Queensland Science: Building a Smarter Future*, Queensland Government, Brisbane, undated, p. 2.

<sup>288</sup> X Sala-i-Martin, J Blanke, M Drzeniek Hanouz, T Geiger, and I Mia, 'The Global Competitiveness Index 2009-2010: Contributing to Long-Term Prosperity Amid the Global Economic Crisis', *The Global Competitiveness Report 2009-2010*, World Economic Forum, Geneva, 2009, p. 7.

<sup>289</sup> Queensland Government, *Smart Queensland Smart State Strategy 2005-2015*, Queensland Government, Brisbane, p. 3, downloaded on 22 September 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>290</sup> J Gans, 'Policy Forum: Enhancing the national innovation system. Using markets in innovation policy', *The Australian Economic Review*, vol. 42, no. 1 2008, p. 90.

231. There are several key risks facing Queensland for innovative activities in industry. These include the current global economic conditions, levels of regulation and its impact on the business environment and attraction of investment, the ageing population and climate change. The key factors that support innovation in Queensland are the availability of natural resources, a skilled workforce, a positive social environment and security.<sup>291</sup>
232. The Queensland Government acknowledges the role innovation that plays in productivity and has included innovation as a key target in its Toward Q2 Strategy. Part of this strategy focuses on policies that enable workers and entrepreneurs to use skills to engage in innovative activities.<sup>292</sup>
233. The Commission of the European Communities provides that governments can enhance their promotion of entrepreneurship and self-employment and levels of assistance to businesses to encourage innovation by:
- Helping set up new businesses;
  - Reducing the cost of borrowing;
  - Providing support to design sustainable business plans;
  - Mentoring for new businesses;
  - Reducing regulatory burdens; and
  - Simplifying the procedures for establishing businesses.<sup>293</sup>

### **Financing and other support for micro and SMEs**

234. The inquiry process has identified that an obstacle to increasing levels of innovation in Queensland comes from a reduced supply of credit available in the current economic climate for micro and SMEs. Larger firms often have more time and money to invest in innovative practices. However, as Australia has relatively few large firms and SMEs comprise approximately 95 per cent of all businesses, government support and advice to enable SMEs to innovate is essential in order for these enterprises to commercialise their ideas.<sup>294</sup>
235. Government support needs to consider the specific barriers to innovation that exist for SMEs. These include the fact that SMEs often do not have the time to engage in innovative activities, such as scanning the world for technologies that would make their businesses more efficient. Also, they may not have the knowledge or awareness of programs that exist to help them in this regard.<sup>295</sup> Further, the costs of running SMEs is also an inhibitive factor for these businesses to innovate and fulfil their productive capacity. In this way, the committee recognises the role of

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<sup>291</sup> P Crossman, Assistant Under Treasurer and Government Statistician, Queensland Treasury, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 9.

<sup>292</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 16.

<sup>293</sup> Commission of the European Communities, *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of Regions: A Shared Commitment for Employment, Commission of the European Communities*, Brussels, p. 11 (provided to the committee as part of European Commission, Submission No. 5, 2009).

<sup>294</sup> Queensland Government, *Submission No. 45*, 2009, p. 39; Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p 6.

<sup>295</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p 50.

government in reducing the impact of input costs, such as water, electricity and taxes, on SMEs. Local governments in Queensland have also identified the need to develop and maintain strong relationships with the business community to improve entrepreneurialism, innovation within small business and employment outcomes.<sup>296</sup>

236. The European Commission has proposed a strategy that encourages self-employment and innovation through a micro financing facility for employment that helps to develop micro enterprises. This facility provides financial support, mentoring, training, coaching and capacity building to new entrepreneurs who are finding it difficult to access credit.<sup>297</sup>
237. Action is needed on the capital funding available to early stage ventures within Queensland to support their capacity to innovate.<sup>298</sup> However, the committee believes that the federal Treasurer is the appropriate person to improve credit access for SMEs.

### **Industry clusters**

238. The purpose of industry clusters is to unite the public, private and research/academic sectors in order to undertake collaborative research, share knowledge and foster innovation, regional development and foreign investment, which will increase the competitiveness of the clusters across state and national borders. In this way, industry clusters contribute to economic growth and reduce unemployment.<sup>299</sup>
239. According to the OECD, strong industry clusters in particular regions are important for innovation. The infrastructure available in those regions attracts investment and employment. Governments and local agencies play a significant role in providing the support that clusters need to form and strengthen.<sup>300</sup> The role of government support for industry clusters is discussed under regional plans.

### **Queensland Government's innovation programs**

240. The Queensland Government participates in a number of programs to encourage innovation. These include the Smart State Strategy as well as the work of DEEDI, QMI Solutions and the AIC.

### **Smart State Strategy**

241. The purpose of the Queensland Government's Smart State Strategy 2008-2012 is to position knowledge, creativity and innovation as key drivers of the state's economic growth. In order to achieve this, the government has invested in

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<sup>296</sup> N McGuire, Deputy Manager, Economic Development, Logan City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p 21; G Perry, Manager, Economic Development Branch, Gold Coast City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p 24.

<sup>297</sup> Commission of the European Communities, *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of Regions: A Shared Commitment for Employment*, Commission of the European Communities, Brussels, pp. 11-12 (provided to the committee as part of European Commission, Submission No. 5, 2009).

<sup>298</sup> T Cutler, *Venturous Australia: Building strength in innovation*, Department of Innovation, Cutler and Company, Melbourne, 2008, p. xv.

<sup>299</sup> B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, pp. 17-18.

<sup>300</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 193-195 (provided to the committee as part of OECD, Submission No. 4, 2009).

education and training reforms, research and development infrastructure, and broadened the state's industry base.<sup>301</sup>

242. Specifically, the Queensland Government has invested in:

- Research and development with \$3.4 billion funding, which has resulted in the establishment of 36 new research institutes;
- The Queensland Skills Plan, which aims at addressing skills shortages and better matching skills with the needs of industry;
- Reforming the education system;
- Attracting experts in science and industry and clinical researchers; and
- Establishing the Innovation Projects Fund, which supports collaborations between researchers and industry.<sup>302</sup>

243. The Queensland Government has several programs that encourage businesses to innovate. These include helping to create new collaborations between industry and research that results in the sharing of information and ensures that new innovations are commercialised for the benefit of all Queenslanders. The Proof of Concept Fund program provides funding in public sector research commercialisation while the Ideas to Market initiative supports early stage, knowledge intensive firms to grow and commercialise their ideas. Additionally, the Enabling Technologies program supports growth in emerging and knowledge-intensive industries, such as ICT, biotechnology, nanotechnology and creative industries.<sup>303</sup>

244. The Queensland Wide Innovation Network assists Queensland business to innovate by establishing networks of service providers that support innovation across Queensland, provide innovation coaching to eligible businesses and industries, provide regional innovation support funding and an innovation toolbox to all Queensland businesses that help provide a directory and step-by-step process through innovation programs and services.<sup>304</sup>

#### ***Department of Employment, Economic Development and Innovation***

245. DEEDI was established on 6 March 2009. The focus of DEEDI is on regional, industry and business development, as well as promoting innovation that fosters productivity, research and development, sustainability and global competitiveness.<sup>305</sup>

246. At the committee's public hearings, officers from DEEDI stated that the department does this through helping the business community, industry and its regional offices collaborate and take advantage of the R&D infrastructure that exists throughout

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<sup>301</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 2.

<sup>302</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 2.

<sup>303</sup> Queensland Government, *Smart State Strategy: Queensland's Smart Future 2008-2012*, Queensland Government, Brisbane, 2008, p. 2.

<sup>304</sup> Department of Employment, Economic Development and Innovation, *Queensland Wide Innovation Network (Q-WIN)*, Queensland Government, Brisbane, downloaded on 22 October 2009 from [www.science.qld.gov.au](http://www.science.qld.gov.au).

<sup>305</sup> Department of Employment, Economic Development and Innovation, *Our priorities*, Queensland Government, Brisbane, downloaded on 22 September 2009 from [www.deedi.qld.gov.au](http://www.deedi.qld.gov.au).

Queensland. Over the past 10 years the Queensland Government has invested approximately \$3.6 billion in R&D investment and innovation generally.<sup>306</sup>

247. Due to the major role governments play in the innovation arena, both in supporting the private sector to innovate and providing innovative opportunities in the public sector, Gruen argues for an 'Advocate for government innovation'. This advocate would assist government agencies and the private sector to challenge regulation and administrative processes that obstruct innovation.<sup>307</sup>
248. The Queensland Government has an obligation to ensure that it undertakes innovative activities, as well as create opportunities for the private sector to innovate and promote an economic environment conducive to innovation. This will lead to increases in Queensland's productivity levels, which will improve services and standards of living.

#### **Committee conclusions**

249. The committee believes there is a need for Queensland Government agencies to lead by example and become more innovative. One method of doing this is to create an advocate for government innovation to challenge regulation and administrative processes that obstruct innovation. Alternatively innovation could be seen as integral to the role of public sector leaders.

#### **QMI Solutions Limited**

250. QMI Solutions was established as a not-for-profit company by the Queensland Government, the University of Queensland and the Queensland University of Technology to improve the competitiveness, innovation, skills and sustainability within small to medium manufacturing enterprises.<sup>308</sup> Given that 98 per cent of employment in the manufacturing sector is in SMEs, QMI Solutions has an important role in supporting these enterprises to innovate.<sup>309</sup>
251. One of QMI Solutions' primary functions is to act as a technology diffusion agency by scanning the world for technologies that are applicable to Queensland SMEs, who are often too time poor to undertake this activity themselves.<sup>310</sup> As only two per cent of research globally occurs in Australia, it is critical that international research and its application to Queensland businesses is considered.<sup>311</sup> One example of successful technology scanning relates to the rapid prototyping technology. The identification of this technology by QMI Solutions and its subsequent deployment and diffusion created an entirely new industry in Queensland.<sup>312</sup>
252. QMI Solutions also highlights the need to invest in innovation and productivity improvement, particularly in providing world leadership in areas where Queensland has a competitive advantage, such as using natural resources more effectively. For

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<sup>306</sup> B Anker, Deputy Director-General Innovation, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 16- 17.

<sup>307</sup> N Gruen, 'Beyond central planning: Innovation in government in the 21<sup>st</sup> century', *The Australian Economic Review*, 2009, vol. 42, pp. 88-95.

<sup>308</sup> QMI Solutions, *Submission No. 35*, 2009, p. 1.

<sup>309</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 50.

<sup>310</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 50.

<sup>311</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 50.

<sup>312</sup> QMI Solutions, *Submission No. 35*, 2009, p. 7.

example, focussing innovative techniques on areas such as coal to liquid or gas to liquid processing, geothermal power generation, and improvements in health and safety techniques in mining would all improve Queensland's competitive and innovative status globally.<sup>313</sup>

### **Australian Institute for Commercialisation (AIC)**

253. The AIC is a national consultancy organisation, with the Queensland Treasurer as the sole shareholder, that advises entrepreneurs, small business, research organisations and governments on the commercialisation of their intellectual property. AIC also specialises in all matters relating to innovation, collaboration and commercialisation. Specifically, the AIC has helped entrepreneurs and researchers with the steps required to commercialise their ideas, facilitated collaborations and commercialisation deals for governments and businesses to licence their intellectual property or technologies and provided commercialisation advice regarding market research, opportunity analyses and commercialisation strategy development.<sup>314</sup>

### **Committee conclusions**

254. The committee notes the work undertaken in Queensland to support business innovation, particularly the presence of QMI Solutions and the AIC. The committee encourages continued Queensland government support for these agencies.

### **Universities**

255. Research institutes provide an essential link in the innovative activity of an economy by driving innovation and change, producing skilled people, building networks and generating ideas and knowledge for new industries.<sup>315</sup> To improve levels of innovation, a greater understanding of what industry needs from the R&D sector is required. The Queensland Government is assisting this process by promoting collaboration between universities, research organisations and industry, running R&D forums and technology clinics and looking at engaging individual firms sector by sector to bring them into the supply chain. The government is committed to assisting individual firms to access R&D and is establishing measures that ensure these firms understand what expertise is available and how to access it.<sup>316</sup>

256. However, the Southern Cross University suggests that the state government establish a capability data warehouse to improve current levels of collaboration between research institutes and government and industry. A capability data warehouse would provide a search engine that locates experts with the required skills to undertake particular research and development projects. This would assist businesses, particularly those without prior experience or engagement with researchers and institutes, to navigate the process of transforming an idea or product into a commercially viable enterprise.<sup>317</sup>

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<sup>313</sup> QMI Solutions, *Submission No. 35*, 2009, p. 4.

<sup>314</sup> Australian Institute for Commercialisation, *Submission No. 2*, 2009, p 1.

<sup>315</sup> Commonwealth Government, *Powering Ideas: An Innovation Agenda for the 21st Century*, Department of Innovation, Industry, Science and Research, Canberra, 2009, p. 32.

<sup>316</sup> B Anker, Deputy Director-General Innovation, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 16-17.

<sup>317</sup> Southern Cross University, *Submission No. 6*, 2009, p. 2.

257. SMEs would also find value in the capability data warehouse as their level of participation in research and development has historically been quite low. Because of this, they may face increased obstacles when trying to access research and expertise in the process of commercialising an idea or product.<sup>318</sup>

#### **Committee conclusions**

258. The committee's research has identified that there is often a poor link between the research undertaken by the tertiary sector and the requirements of industry, and collaboration with the SME sector. The committee has identified that research institutes must ensure their work is relevant to business innovation while Queensland businesses should be encouraged to make better use of research in business innovation. The committee believes that a capability data warehouse will help to improve the links between these institutions and industry.

#### **Recommendation 10:**

**The committee recommends the Queensland Government investigate the feasibility of establishing a state-wide capability data warehouse in order to improve the links between industry and research institutions.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

#### **Business incubator and accelerator programs**

259. The University of the Sunshine Coast's submission supports the need to diversify the local economy, which involves assisting businesses and entrepreneurs to grow knowledge and technology based industries in the region.<sup>319</sup> For this purpose, the university established the Innovation Centre and the Business and Technology Precinct.<sup>320</sup>

260. The Innovation Centre has generated 50 companies and 500 jobs over the last six years<sup>321</sup> and includes two components: the business incubator, which provides SMEs with coaching, infrastructure, networks and advice on how to develop knowledge based innovative businesses; and the business accelerator that is specifically designed to provide infrastructure, staffing and support for established technology and knowledge based businesses.<sup>322</sup> In support of small businesses, the University of the Sunshine Coast has also established an Entrepreneurship Program that encourages, advises and supports students who want to be self-employed or own businesses in the future.<sup>323</sup>

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<sup>318</sup> QMI Solutions, *Submission No. 35*, 2009, p. 11; Australian Institute for Commercialisation, *Submission No. 2*, 2009, pp. 1-2.

<sup>319</sup> University of the Sunshine Coast, *Submission No. 11*, 2009, p 5.

<sup>320</sup> University of the Sunshine Coast, *Submission No. 11*, 2009, p 6.

<sup>321</sup> P Thomas, Vice Chancellor and President, The University of the Sunshine Coast, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 49.

<sup>322</sup> Innovation Centre Sunshine Coast, *Office Space*, Innovation Centre Sunshine Coast, Sippy Downs, downloaded on 23 September 2009 from [www.innovation-centre.com.au](http://www.innovation-centre.com.au).

<sup>323</sup> University of the Sunshine Coast, *Submission No. 11*, 2009, pp. 6-7.

261. DEEDI provides support to three technology incubators, i.lab Incubator Pty Ltd, the Innovation Centre Sunshine Coast and the Gold Coast Innovation Centre which is aligned with Griffith University.<sup>324</sup> The committee believes that the success of the business incubator and accelerator programs on the Sunshine Coast indicates that these programs could be applied in other universities in regional Queensland to boost the innovative capacities of SMEs and the economic growth of the area. The committee believes that these organisations would best be located in regional areas in order to encourage the local employment of tertiary graduates. Additionally, they should be located in areas where the concept is consistent to the regional strength or Centre of Enterprise located in the area. The committee believes that the Queensland Government should provide a small amount of recurrent funding to regionally based universities in order to support these initiatives.

#### **Committee conclusions**

262. The committee believes that the success of the business incubator and accelerator programs on the Sunshine Coast indicates that these programs could be applied in other universities in regional Queensland to boost the innovative capacities of SMEs and the economic growth of the area. The committee believes that these organisations would best be located in regional areas in order to encourage the local employment of tertiary graduates.

#### **Recommendation 11:**

**The committee recommends the Queensland Government encourages and supports the development of business incubator and accelerator organisations based at regional universities within Queensland.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

#### **Innovation assistance for SMEs**

263. As SMEs make up a significant proportion of Queensland businesses, their contribution to innovation is essential. In addition, SMEs are closely aligned to customer and market needs and their input into the direction of sector based R&D activities ensures the outcomes of these activities make their way to the market.<sup>325</sup> For this to occur, SMEs require knowledge, connections, time and support to undertake innovative activities. Specific strategies that the government could introduce or enhance include:

- Linking researchers directly with businesses looking for specific expertise;
- Using government procurement as a more sophisticated tool to encourage the growth of innovative Queensland companies. This assists SMEs and early stage innovators to join the value chain as they are often not included in the procurement process. Their involvement poses a higher risk to government because they are time and cash poor and find it hard to meet government's compliance requirements;

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<sup>324</sup> Department of Employment, Economic Development and Innovation, *Technology Incubators*, Queensland Government, Brisbane, 2009, downloaded on 8 October 2009 from [www.science.qld.gov.au](http://www.science.qld.gov.au).

<sup>325</sup> QMI Solutions, *Submission No. 35*, 2009, p. 5.

- Hosting research and development forums for SMEs to gain access to R&D expertise, establish networks, and understand the procurement process and compliance requirements that help to reduce the risks to government for SMEs involvement in projects;
- Placing industry professionals in research and development organisations;
- Investigating strategies that encourage more effective engagement between industry and cooperative research centres (CRCs); and
- Maintaining investment in research, development, collaboration and commercialisation.<sup>326</sup>

264. One of the main areas in which SMEs can use their firsthand knowledge of market trends and needs is in the area of new and emerging industries. In order to do this, they need the time to be innovative and ‘scan’ emerging technologies from around the world. Often, they are too busy running their business to do this. SMEs therefore need access to technology scanning activities, such as QMI Solutions undertakes for the manufacturing industry that locate and assess new technologies around the world to determine their impact on traditional industries. The adoption of new technologies also has to be coordinated with the development of the appropriate skills within industry to produce the competitive advantage that industry is seeking.<sup>327</sup>

**Committee conclusions**

265. The committee recognises that SMEs require additional support to encourage innovation, as well as economic and jobs growth. Therefore, they believe an organisation should assist SMEs, from all industries, to link with R&D, scan relevant technologies and provide other practical assistance. The committee suggests that one way of accomplishing this is to expand the role of QMI Solutions and the AIC to provide this support.

**Recommendation 12:**  
**The committee recommends the Queensland Government investigates best practice methods of providing additional support targeted to small and medium enterprises for business innovation and technology diffusion.**  
**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

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<sup>326</sup> QMI Solutions, *Submission No. 35*, 2009, p. 11; Australian Institute for Commercialisation, *Submission No. 2*, 2009, pp. 1-2.  
<sup>327</sup> QMI Solutions, *Submission No. 35*, 2009, pp. 6-7.

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## PART 6 – REGIONAL AND INDUSTRY CONSIDERATIONS

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266. Evidence presented to the committee indicates that world's best practice on stimulating employment opportunities requires the recognition that different regions face different challenges. This is particularly important in Queensland where a great diversity in economic growth exists across urban, regional and remote/rural communities. This section looks at the development of regional plans and the factors that contribute to regional economic development, including:

- The development of labour market policies in alignment with regional industry and community requirements;
- Integration of regional land use and infrastructure planning with regional skills, employment and industry policies;
- Queensland Government's current approach to regional development and suggestions for improvement;
- Industry development and promotion, which incorporates:
  - Queensland Government's programs for industry development and promotion;
  - A consideration of Queensland's competitive advantages;
  - The integration of skills and industry requirements;
  - Development of industry clusters and role of the centres of enterprise; and
  - Local industry participation in projects.
- Queensland Government's role in supporting traditional, emerging and new industries; and
- Role of local government in development of economic planning policy.

267. Regional plans need to include strategies that consider the issues faced by different areas of economic activity across Queensland. For urban environments, strategies need to focus on infrastructure, land availability, as well as skill and innovation development. For regional areas, strategies that promote inter-regional networks, and improve the liveability of the area with affordable housing, and provide good public transport and public infrastructure are required.<sup>328</sup>

### Regional planning

268. Factors influencing economic growth in regions include the area's ability to innovate, create a well-educated workforce, attract and retain skilled labour, connections with global markets, a business-friendly environment and infrastructure system and having a well functioning labour market. Queensland's economic recovery relies heavily on the economic growth in regional areas.

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<sup>328</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 193-196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

269. Evidence from the OECD suggests that an integrated approach to regional development is essential to promote recovery. The OECD has identified that integrating regional policies, in the form of regional plans, is a key determinant for regional growth. Inter-regional trade and inter-regional networks play a role in regional growth.<sup>329</sup> Building networks between regions helps to resolve some of the obstacles that these communities face, including those associated with distance from markets. Increasing regional capacity impacts on the availability of human capital, pools resources in terms of infrastructure, expertise and innovative capacity and builds economies of scale.
270. This approach to regional development policy is based on the principle that opportunities for growth exist in all regions. One of the roles of the state government is to foster growth, and to encourage local governments, industries and communities to use their local resources and assets to invest in their own growth in order to create a competitive advantage.<sup>330</sup>

### **Regional statistics**

271. It is important to collect data regarding regional economic performance in order to effectively plan and implement economic development strategies. This requires quantitative assessment of the goods and services that the region is importing and exporting and identifying the most effective industries within the region.<sup>331</sup>
272. The Queensland Government does collect some statistics based on region. The Office of Economic and Statistical Research provides a tool that allows regional profiles for a number of demographic, social and economic variables. The economic statistics provided on their website include the unemployment rate and labour force, employment by industry and employment by occupation. Statistical Divisions, State Electoral Districts or Local Government Areas can be used as the regions. A number of State Electoral Districts or Local Government Areas can be combined to create a customised region.<sup>332</sup> Additionally, DEEDI prepare Regional Economic Vital Signs reports that analyse economic and social data to provide a snapshot of high growth regions.<sup>333</sup>

### **Committee conclusions**

273. The committee believes that comprehensive and regular statistics for all regions within Queensland are required. These statistics should be made publicly available. Use of these statistics should drive the creation of relevant economic development strategies and allow effective measurement of the outcomes of various economic development programs within each region.

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<sup>329</sup> OECD Observer, *How Regions Grow*. OECD Policy Brief, March 2009, p. 6.

<sup>330</sup> OECD Observer, *How Regions Grow*. OECD Policy Brief, March 2009, p. 5.

<sup>331</sup> R Stimson, R Stough and B Roberts, *Regional Economic Development: Analysis and Planning Strategy*, 2<sup>nd</sup> edition, Springer-Verlag Berlin, 2006, p. 105.

<sup>332</sup> Queensland Treasury, *Queensland Regional Profiles*, Queensland Government, Brisbane, 2009, downloaded on 29 October 2009 from [www.oesr.qld.gov.au](http://www.oesr.qld.gov.au).

<sup>333</sup> Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009.

## Queensland's regional landscape

274. Queensland represents a decentralised economy with much of the state's economic growth dependent on regional communities and their competitive advantage in industries such as tourism, mining and mining services, biotechnology and tropical sciences. In addition, the state's proximity to global markets, particularly Asia, has seen the development of the marine, aviation and education industries. The physical size of Queensland has also contributed to the development of information communications technology, transportation, building and construction industries.<sup>334</sup>
275. One approach to designing employment strategies is to recognise the demographic diversity of four different scenarios in Australia, acknowledging the different environments in the urban capital cities, outer urban areas, regional centres and remote/rural communities. Each of these scenarios require different labour market policies from government. Urban communities within Australia have grown into large metropolitan regions where hubs of skills and knowledge-intensive activities co-exist with areas of social disadvantage that have higher levels of unemployment. Regional and remote/rural communities are either booming or shrinking, depending on their location, local industry and employment rates, are either booming or shrinking.

### Urban areas

276. Urban areas, such as Brisbane, require specific strategies to promote economic development, which will then impact on employment levels. According to the OECD, important economic development strategies for urban environments include providing sustainable commercial sites and 'employment lands' in strategic areas and focusing on land release, increasing innovation and skills development and improving opportunities and access to jobs for disadvantaged communities.<sup>335</sup>
277. These issues are considered in various plans as listed below, which provide a vision for the development of Brisbane and its surrounding environment:
- Brisbane City Council's *Brisbane Long Term Infrastructure Plan (2007)* focuses on delivering world class infrastructure to support Brisbane's future growth and prosperity.<sup>336</sup>
  - Brisbane City Council's *Our Shared Vision: Living in Brisbane 2026* is based around eight themes, including design, accessibility and transport, innovation and productivity, and creating a health focused, creative and global environment.<sup>337</sup>
  - Brisbane City Council's *Brisbane Economic Development Plan 2006-2011*,<sup>338</sup>

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<sup>334</sup> Queensland Government, *Smart Industry Policy*, Queensland Government, Brisbane, undated, p. 15, downloaded 9 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>335</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 192 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>336</sup> Brisbane City Council, *Brisbane: long Term Infrastructure Plan (2007)*, Brisbane City Council, Brisbane, 2007, downloaded on 5 October 2009 from [www.brisbane.qld.gov.au](http://www.brisbane.qld.gov.au).

<sup>337</sup> Brisbane City Council, *Our shared vision: Living in Brisbane 2026*, Brisbane City Council, Brisbane, 2007, downloaded on 5 October 2009 from [www.brisbane.qld.gov.au](http://www.brisbane.qld.gov.au).

<sup>338</sup> Brisbane City Council, *Brisbane Economic Development Plan 2006-2011*, Brisbane City Council, Brisbane, 2007, downloaded on 5 October 2009 from [www.brisbane.qld.gov.au](http://www.brisbane.qld.gov.au).

- The Queensland Government's *South East Queensland Regional Plan 2009-2031* focuses on managing growth and protecting the region's lifestyle and environment;<sup>339</sup> and
- The Queensland Government's *South East Queensland Infrastructure Plan and Program 2009–2026* outlines the government's infrastructure priorities for the South East Queensland (SEQ) region to support the SEQ Regional Plan.<sup>340</sup>

278. These plans include strategies that show how urban development focuses on designing regions that are liveable, sustainable and prosperous, deliver infrastructure, create urban environments that are 'green', well designed, have good transport infrastructure, promote innovation and knowledge-intensive industries, develop partnerships between the private sector and other levels of government to promote the economic welfare of the region, market the region, encourage investments that increase jobs, and develop productive precincts, workforce availability and capability and export markets.<sup>341</sup>

### **Outer urban areas**

279. Outer urban areas, such as Logan, Caboolture and Ipswich, often face their own economic development challenges. In outer regional areas near urban cities, the state government needs to consider clustering activity and industry so that people are able to work near where they live. This helps to boost productivity by reducing commuting times, improving housing affordability, reducing traffic congestion and improving standards of living.<sup>342</sup>

### **Regional areas**

280. Regions that are growing due to booms in certain industries, such as mining, require an integrated economic development approach that helps the region continue to experience economic growth. The state government, in consultation with local government, plays a role in promoting economic growth and employment by ensuring the local demand for skills is met, up-skilling the workforce, increasing the number of training places and bringing in overseas workers if required.<sup>343</sup>

281. The Queensland Government's Blueprint for the Bush regional plans are designed to tackle the challenges Queensland's regional communities face, including static or declining populations and delivery of services and infrastructure. The plans also provide guidelines on land use and development in the regions over the next two

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<sup>339</sup> Department of Infrastructure and Planning, *About the South East Queensland Regional Plan*, Queensland Government, Brisbane, 2009, downloaded on 5 October 2009 from [www.dip.qld.gov.au](http://www.dip.qld.gov.au); S Hinchliffe, *South East Queensland Regional Plan 2009-2031*, Queensland Government, Brisbane, July 2009, downloaded on 5 October 2009 from [www.dip.qld.gov.au](http://www.dip.qld.gov.au).

<sup>340</sup> Department of Infrastructure and Planning, *South East Queensland Infrastructure Plan and Program*. Queensland Government, Brisbane, downloaded on 5 October 2009 from [www.dip.qld.gov.au](http://www.dip.qld.gov.au).

<sup>341</sup> Brisbane City Council, *Brisbane Economic Development Plan 2006-2011*, Brisbane City Council, Brisbane, 2007, p. 10, downloaded on 5 October 2009 from [www.brisbane.qld.gov.au](http://www.brisbane.qld.gov.au).

<sup>342</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>343</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 187 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

decades. At this time, regional plans are available for the Central West, Maranoa-Balonne and the South West.<sup>344</sup>

282. One of the challenges that governments must consider in their regional development plans, particularly in booming areas or those expecting to experience rapid economic development in the near future, such as the Western Downs Regional Council area, is rising living costs, including housing. This is due to the influx of higher skilled and higher paid workers who move into the area to service the booming industries. This creates a situation where the 'migrants' are able to afford to pay higher rents as the availability of housing is reduced. The disadvantaged then often have to move further away from employment opportunities, public infrastructure and transport because they cannot afford to pay the rising rents. This may impact their employment status.<sup>345</sup>
283. The committee notes that, as part of the Sustainable Resource Communities policy, the Queensland Government has committed to strengthening social impact assessment in relation to major new and expanded mining and petroleum developments. Social impacts include the effect a rapid increase in population would have on housing prices.<sup>346</sup>
284. Although DEEDI focuses on economic development, they also assist in the facilitation of broader based regional development to support the economic development that is occurring. This includes community facilities and other infrastructure.<sup>347</sup> Governments have a role in educating the private and public sectors in the skills available from local pools of human capital and the advantages of employing local people.<sup>348</sup>

#### **Remote/rural areas**

285. In some situations, larger regional areas are growing at the expense of smaller remote towns. Some of the reasons causing this 'shrinking' of towns include the urbanisation-suburbanisation of larger regional centres, climate change and industrialisation. This results in decreased economic activity that encourages much of the population to seek employment elsewhere. As these workers leave, they take with them their skills and knowledge and income, which exacerbates the economic impact on shrinking communities.<sup>349</sup> Other challenges to economic growth for remote/rural areas include isolation from other businesses in different industries and in the same industry and isolation from customers, markets (across regions,

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<sup>344</sup> Department of Infrastructure and Planning, *Blueprint for the Bush Regional Plans*, Queensland Government, Brisbane, downloaded on 5 October 2009 from [www.dip.qld.gov.au](http://www.dip.qld.gov.au).

<sup>345</sup> R Brown, Mayor, Western Downs Regional Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 22.

<sup>346</sup> Queensland Government, *Sustainable Resource Communities Policy – Social Impact Assessment in the Mining and Petroleum Industries*, Queensland Government, Brisbane, September, 2008.

<sup>347</sup> P Low, Associate Director-General, Industry Development and Innovation, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 11.

<sup>348</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>349</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 189 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

state and national borders) and publicly funded knowledge infrastructure, such as R&D and training, that improves innovation and productivity.<sup>350</sup>

286. Another challenge faced by remote/rural areas includes the difficulty they face in finding skilled workers within the community. This is due to both a lack of available local training for community members and the fact that skilled workers are trained outside the community and may not return. For this reason, remote/rural communities are often forced to import skilled workers from outside the area.<sup>351</sup>
287. Labour market policies that promote remote areas need to address these challenges and focus on creating a business environment that brands the town with a specific expertise depending on the strengths and location of the area that will help to attract and retain workers with skills. These labour market policies involve training and mentoring businesses, developing networks between businesses, industries and supply chains to increase the capability of remote businesses to develop economies of scale across all borders, and focussing on specific industries so they develop expertise and are in a position to form clusters of activity that improve their access to resources. However, for this to occur, two challenges must be overcome. Businesses, industry and the community must be proficient with new media technologies to be able to communicate across distances and local partnerships between all levels of governments, businesses, industry and the community must be created.<sup>352</sup>

### **Committee conclusions**

288. The committee recognises the various plans that have been developed and are in use for urban, regional and remote/rural communities in Queensland. The committee notes that DEEDI helps facilitate some of these issues. The committee notes that, as part of the Sustainable Resource Communities Policy, the Queensland Government has committed to strengthening the social impact assessments that are required before major new and expanded mining and petroleum developments are approved. Social impacts include the effect a rapid increase in population would have on housing prices.
289. The committee also believes that more can be done to help industry employ local workers. The Queensland Government should educate local industry about the employment skills available locally. Additionally, local employers should train and employ workers from the region to ensure that their short term and long term needs are met.

#### **Recommendation 13:**

**The committee recommends the Queensland Government encourages local employers to employ and train local workers and graduates to meet the employers' short term and long term employment needs.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

<sup>350</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, p. 190 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>351</sup> R Scarce, Chief Executive Officer, Torres Strait Island Regional Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, pp. 22-23.

<sup>352</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 189-190 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

## Regional land use and infrastructure planning and economic development

290. Regional planning is an important tool used to coordinate social, economic and ecological interests. Regional plans elaborate on land use priorities, provide environmental protection, identify residential, rural and infrastructure areas, reserve space for the expansion of private and government activity and regulate the employment of people.<sup>353</sup>
291. Queensland has a number of regional plans in place for areas including, but not limited to, South East Queensland, Far North Queensland, Maroon-Balonne and Central West Queensland.<sup>354</sup> The regional plans include a component on economic development for the particular area. For instance, the Central West regional plan discusses the need to diversify the economy, employment, labour force, skills, education and training with a section for land use policies and aligned strategies.<sup>355</sup>

## Integrating skills requirements into regional plans

292. The development of local industry and regional areas relies on a number of factors, one of the most important being the training and skills of local workers. Part 4 discusses the current and future skills requirements within Queensland, including some regionally specific considerations. However, it is important that, as part of the regional plan, a local employment and skills strategy is developed. This will ensure that the skills within each region match local industry requirements.
293. The Queensland Government states that it is committed to ensuring that training and skills development programs align with the needs of local industry to underpin supply capabilities. The Queensland Skills Plan provides a guideline for linking local industry needs with the skills of the labour force.<sup>356</sup>
294. This approach requires a thorough analysis of local industries and occupations. One way of achieving skilled labour for local industries is by developing a cluster. Clusters attract a pool of specialised and experienced employees, which means that it is less expensive for the business to hire as well as providing a larger supply of talented workers with skills that are linked to that particular industry.<sup>357</sup>

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<sup>353</sup> P Kavaliauskas, 'A concept of sustainable development for regional land use planning: Lithuanian experience', *Technological and Economical Development of Technology*, vol. 14, no. 1, 2008, pp. 51-52.

<sup>354</sup> S Hinchliffe, *Central West Regional Plan: Planning for a stronger, more liveable and sustainable community*, September 2009, Department of Infrastructure and Planning, Longreach, pp. 40-49, downloaded on 20 October 2009 from [www.infrastructure.qld.gov.au](http://www.infrastructure.qld.gov.au); S Hinchliffe, *Maroon-Balonne Regional Plan: Planning for a stronger, more liveable and sustainable community*, September 2009, Department of Infrastructure and Planning, Bundaberg, pp. 36-43, downloaded on 20 October 2009 from [www.infrastructure.qld.gov.au](http://www.infrastructure.qld.gov.au); P Lucas, *Far North Queensland Regional Plan 2009 – 2031: Planning for a stronger, more liveable and sustainable community*, February 2009, Department of Infrastructure and Planning, Cairns, pp. 92-102, downloaded on 20 October 2009 from [www.infrastructure.qld.gov.au](http://www.infrastructure.qld.gov.au); S Hinchliffe, *South East Queensland Regional Plan 2009 – 2031*, Department of Infrastructure and Planning, Brisbane, 2009, pp. 111-123, downloaded on 20 October 2009 from [www.infrastructure.qld.gov.au](http://www.infrastructure.qld.gov.au).

<sup>355</sup> S Hinchliffe, *Central West Regional Plan: Planning for a stronger, more liveable and sustainable community*, September 2009, Department of Infrastructure and Planning, Longreach, pp. 40-49, downloaded on 20 October 2009 from [www.infrastructure.qld.gov.au](http://www.infrastructure.qld.gov.au).

<sup>356</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 2, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>357</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 194-196 (provided to the committee as part of OECD, *Submission No. 4*, 2009); M Porter, 'Clusters and the New Economics of Competition', *Harvard Business Review*, November 1998, pp. 77-90.

### **Committee conclusions**

295. The committee believes that it is essential that regional land use and infrastructure planning occurs in conjunction with planning for regional skills, employment and industry policies. By thoroughly mapping the skills requirements of each region, it will be easier to encourage training organisations to provide the required education. The most appropriate way for this to occur is by including economic development plans, skill plans and labour market planning within the existing regional framework. The committee recommends that all areas of Queensland have a economic development action plan and skills action plan that align with the regional plan in that area.

#### **Recommendation 14:**

**The committee recommends the Queensland Government develops an economic development action plan and a skills action plan for every area of the state and that these plans align with the regional plan for the particular area.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Australian Government's economic programs for regional Australia**

296. The Australian Government uses a range of strategies to ensure that the quality of life in Australia's cities, regional towns and outback communities is maintained. It recognises the success of this is linked to regionally based industries that generate two-thirds of the country's export earnings.<sup>358</sup> Two federal government strategies that focus on an infrastructure approach to economic development are the Nation Building and Jobs Plan, which provides road and rail infrastructure investment and supports jobs<sup>359</sup> and the Regional and Local Community Infrastructure Program that provides funding to local governments to build community infrastructure.<sup>360</sup>
297. Regional Development Australia (RDA) is a collaborative initiative of the Australian Government with all levels of government to establish a network focused on promoting the growth and development of regional Australia.<sup>361</sup> The RDA is currently being established in Queensland to set up a network of 12 committees that will represent the interests of 12 regions. Each committee will have 10 members, with two members being local government representatives to ensure that the three levels of government work in partnership to benefit economic development in the state's regions.<sup>362</sup> Through consultation with community,

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<sup>358</sup> A Albanese, 'Roundtable on regional policy – Australia: preparing regions for the future', *OECD Observer*, No. 272, OECD, Paris, April 2009, downloaded on 1 October 2009 from [www.oecdobserver.org](http://www.oecdobserver.org).

<sup>359</sup> Department of Infrastructure, Transport, Regional Development and Local Government, *Nation Building Program*, Australian Government, Canberra, 2009, downloaded on 5 October 2009 from [www.nationbuildingprogram.gov.au](http://www.nationbuildingprogram.gov.au).

<sup>360</sup> Department of Infrastructure, Transport, Regional Development and Local Government. *Regional and Local Community Infrastructure Program*, Australian Government, Canberra, 2009, downloaded on 5 October 2009 from [www.infrastructure.gov.au](http://www.infrastructure.gov.au).

<sup>361</sup> Regional Development Australia, *What is Regional Development Australia?* Australian Government, Canberra, 2009, downloaded on 8 October 2009 from [www.rda.gov.au](http://www.rda.gov.au).

<sup>362</sup> Department of Employment, Economic Development and Innovation, *Regional Development Australia*, Queensland Government, Brisbane, 2009, downloaded 7 October 2009 from [www.regions.qld.gov.au](http://www.regions.qld.gov.au).

business and government, RDAs will identify local needs, promote solutions and align resources.<sup>363</sup>

### **Promoting cooperative research centres in regional areas**

298. The Queensland Government helps promote the 19 CRCs in Queensland in research areas such as fisheries, coastal, reef, catchment, greenhouse and weed management.<sup>364</sup> The CRC program brings together researchers and research users nationally in a collaborative effort to maximise the benefits of research through commercialisation and technology transfer. CRCs must comprise at least one Australian end user (either from the private, public or community sector) and one Australian higher education institution (or research institute affiliated with a university). This strengthens industry involvement and the education component ,with a focus on producing graduates with skills relevant to industry needs.<sup>365</sup> CRCs are supported by a combination of Federal Government, university and industry funding.<sup>366</sup>

### **Committee conclusions**

299. CRCs are essential for developing the state's knowledge in various research areas and transferring that knowledge to the private and public sectors. The research undertaken has the potential for productive outcomes when applied to industry. Additionally, the CRCs are a source of highly skilled employment in regional areas.

### **Queensland Government's approach to regional development**

300. The primary policies driving the Queensland Government's approach to economic development include the Local Industry Policy, the Smart Industry Policy, the Queensland Skills Plan, the Sustainable Resource Communities Policy and Blueprint for the Bush regional plans. The Queensland Government has also established economic development assistance for regional and remote communities through its Regional Economic Development Corporations and Remote Areas Boards.

301. The Queensland Government aims to capitalise on Queensland's advantages to develop regional economies and strengthen industries. In order to understand how regional industries are changing and performing, DEEDI prepares Regional Economic Vital Signs reports. These reports help the government manage and develop strategies to support the regions' growth through their 15 regional centres located across Queensland. The budget for the regional centres in 2009-2010 is \$24.3 million.<sup>367</sup>

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<sup>363</sup> Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009.

<sup>364</sup> Queensland Government, *Smart Industry Policy*, Queensland Government, Brisbane, undated, p. 28, downloaded 9 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>365</sup> Queensland Government, *Cooperative Research Centres (CRCs)*, Queensland Government, Brisbane, 2008, downloaded on 19 October 2009 from [www.regionalnrm.qld.gov.au](http://www.regionalnrm.qld.gov.au); Department of Innovation, Industry, Science and Research, *About CRCs*, Australian Government, Canberra, no date, downloaded on 19 October 2009 from [www.crc.gov.au](http://www.crc.gov.au).

<sup>366</sup> Australian Government, *Cooperative Research Centres: The Program*, Australian Government, Canberra, undated, downloaded on 27 October 2009 from [www.crc.gov.au](http://www.crc.gov.au).

<sup>367</sup> Department of Employment, Economic Development and Innovation. Responses to Questions. Correspondence dated 8 October 2009, p 1.

### **Sustainable Resource Communities Policy**

302. The Sustainable Resource Communities Partnership Agreement was made between the Queensland Government, the Queensland Resources Council and the Local Government Association of Queensland in order to promote collaboration on issues regarding sustainable resource communities and to examine the impacts on community infrastructure and services. The Queensland Resources Council (QRC) suggests that resource communities deserve greater levels of government investment in infrastructure, facilities and social services because of their economic contributions in the form of taxes, royalties and resource production, to Queensland.<sup>368</sup>

### **Industry development and promotion**

303. There are two basic approaches for government involvement in industry development and promotion: neoliberal and structuralist.<sup>369</sup> The neoliberalist approach suggests a limited role for government with business able to operate in a free market environment in order to obtain their competitive advantage. Under this approach, governments should provide a stable macroeconomy, allow full international trade, encourage private enterprise to take the lead role and provide essential public goods such as infrastructure. The structuralist approach suggests that governments can play an important role in industry development and promotion. Structuralists believe that government intervention, if undertaken appropriately, can improve on what would occur under full free market conditions.<sup>370</sup>

304. In practice, industry development and growth is promoted in a range of ways by governments. These include strategies that focus on:

- Skilling the labour force;
- Innovation;
- Productivity and new capability;
- Developing the links between the R&D sector and SMEs;
- Enhancing the economy through foreign direct investment and therefore increasing its competitive advantage against other economies;
- Developing access to regional/international markets;
- Providing adequate infrastructure;
- Ensuring effective governance; and
- Promoting natural resources.<sup>371</sup>

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<sup>368</sup> Department of Employment, Economic Development and Innovation, *Sustainable Resource Communities Policy*, Queensland Government, Brisbane, September 2008, p 2, downloaded on 7 October 2009 from [www.regionals.qld.gov.au](http://www.regionals.qld.gov.au); and Queensland Resources Council, *Submission No. 25*, 2009, pp. 8-9.

<sup>369</sup> S Lall, *Reinventing Industrial Strategy: The Role of Government Policy in Building Industrial Competitiveness*, G-24 Discussion Paper Series, No. 28, United Nations, April 2004, p. 1, downloaded on 19 October 2009 from [www.q24.org](http://www.q24.org).

<sup>370</sup> S Lall, *Reinventing Industrial Strategy: The Role of Government Policy in Building Industrial Competitiveness*, G-24 Discussion Paper Series, No. 28, United Nations, April 2004, p. 2, downloaded on 19 October 2009 from [www.q24.org](http://www.q24.org).

<sup>371</sup> QMI Solutions, *Submission No. 35*, 2009, p. 11; Smart State Council Working Group, *Attracting investment into Queensland's knowledge-intensive industries*, Queensland Government, Brisbane, November 2008, p. 3, downloaded on 19 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

305. Several of these issues have been discussed in greater detail in earlier sections of this report.

### **Queensland Government programs for industry development and promotion**

306. DEEDI is responsible for industry development and promotion in Queensland. DEEDI has a number of programs designed to support regional, industry and business development in Queensland.<sup>372</sup> These include (but are not limited to):

- Business and Industry Transformation Incentives are for progressive businesses with significant growth potential within Queensland. The scheme provides funds to projects that will support innovation, increase productivity, export growth and build regional strengths;<sup>373</sup>
- The Indigenous Business Development Grant Scheme helps Indigenous people to increase their economic independence, create employment opportunities and increase the participation of Indigenous people in the economy;<sup>374</sup>
- The Government Business Information Service links business to government services and programs such as training, seminars and workshops, export opportunities and networking, government subsidies and grants, industry product matching and trade assistance and development;<sup>375</sup>
- Technology incubators are facilities that help entrepreneurs and businesses to commercialise their ideas by providing accommodation, laboratory and office facilities, business support and mentoring, help to secure access to venture capital and legal, financial and marketing expertise. DEEDI supports three technology incubators: i.lab Incubator Pty Ltd, the Innovation Centre Sunshine Coast and the Gold Coast Innovation Centre;<sup>376</sup>
- The Queensland Government supports and collaborates with the AIC, which provides advice, solutions and tools to businesses, research organisations and governments to improve their commercialisation skills, and to fast-track their innovative ideas and convert them into successful outcomes. Part of AIC's work is to help identify market gaps in order for clients to capitalise on opportunities that create jobs and increase exports and economic growth.<sup>377</sup>

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<sup>372</sup> Department of Employment, Economic Development and Innovation, *Funding and assistance*, Queensland Government, Brisbane, 2009, downloaded on 19 June 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>373</sup> Department of Employment, Economic Development and Innovation, *Overview – Business and Industry Transformation Incentives*, Queensland Government, Brisbane, 2009, downloaded on 19 June 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>374</sup> Department of Employment, Economic Development and Innovation, *Indigenous Business Development Grant Scheme*, Queensland Government, Brisbane, 2009, downloaded on 19 June 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>375</sup> Queensland Government, *GOBiS*, Queensland Government, Brisbane, undated, downloaded on 19 June 2009 from [www.sd.qld.gov.au](http://www.sd.qld.gov.au).

<sup>376</sup> Department of Employment, Economic Development and Innovation, *Technology Incubators*, Queensland Government, Brisbane, 2009, downloaded on 8 October 2009 from [www.science.qld.gov.au](http://www.science.qld.gov.au).

<sup>377</sup> Department of Employment, Economic Development and Innovation, *Australian Institute for Commercialisation (AIC)*, Queensland Government, Brisbane, 2009, downloaded on 8 October 2009 from [www.science.qld.gov.au](http://www.science.qld.gov.au).

- The Queensland Government supports the Queensland Wide Innovation Network, which is a network of innovation support providers across Queensland delivering government sponsored services;<sup>378</sup> and
- The Queensland Government supports and networks with QMI Solutions in its role in the innovation process as a technology diffusion agency. QMI Solutions assists industry to commercialise ideas and products and improve the rate of take-up of new technologies and practices.<sup>379</sup>

### Queensland's competitive advantages and new and emerging industries

307. Queensland needs to present itself as competitive against other national and state economies. The government can maximise Queensland's competitive advantage by utilising the state's superior natural and intellectual resources, using local challenges to drive innovative solutions and using its proximity to long term markets.<sup>380</sup> In this way, the Queensland Government is responsible for establishing and fostering an economy that is able to compete in a global environment.
308. The Queensland Government has identified 15 key new and emerging industries to support under the Smart Industry Policy and Decision Making Framework. Those industries were selected because they had a feature or regional component that justified government support and resources.<sup>381</sup> These industries are: advanced manufacturing, alternative and renewable fuels, aviation, biotechnology, creative industries, environmental and mining technologies and services, ICT, marine, mining, primary industries, processed foods, therapeutic medicines and devices, tourism, water and wine.<sup>382</sup> These industries include Queensland's most competitive industries of agriculture and mining, industries that service agriculture and mining and high skill and high wage industries. The promotion of these industries should help encourage a more diversified and resilient Queensland economy.<sup>383</sup>
309. The Smart Industry Policy focuses on developing productivity by connecting industry with ideas, boosting incentives for productivity, developing skilled people, building markets for smart products and promoting an innovative business culture.<sup>384</sup> The Smart Industry Policy Decision Making Framework is associated with the Smart Industry Policy and is designed to guide industry development activities across government. This framework aims to guide the identification of sectors to be allocated priority status, outline a process for assessing opportunities and allocating resources to accelerate the development of priority sectors as well

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<sup>378</sup> Department of Employment, Economic Development and Innovation, *Queensland Wide Innovation Network (Q-WIN)*, Queensland Government, Brisbane, downloaded on 22 October 2009 from [www.science.qld.gov.au](http://www.science.qld.gov.au).

<sup>379</sup> QMI Solutions, *Overview*, QMI Solutions, Brisbane, downloaded on 22 October 2009 from [www.qmisolutions.com.au](http://www.qmisolutions.com.au).

<sup>380</sup> Smart State Council Working Group, *Attracting investment into Queensland's knowledge-intensive industries*, Queensland Government, Brisbane, November 2008, p. 4, downloaded on 19 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>381</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 17.

<sup>382</sup> Queensland Government, *Smart Industry Policy*, Queensland Government, Brisbane, undated, p. 15, downloaded 9 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>383</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 17.

<sup>384</sup> Queensland Government, *Submission No. 45*, 2009, p. 19.

as evaluate government support to determine whether there are future or ongoing opportunities.<sup>385</sup>

310. The Queensland Government believes that this targeted approach has served Queensland well in driving sustainable development and assisting with stimulating employment. They also state that, due to changing external factors such as the GFC and climate change, there needs to be regular review of where and how government resources are targeted.<sup>386</sup>
311. A working group of the Smart State Council suggests that the industries included in the Smart Industry Policy are too broad and need to be more focused.<sup>387</sup> The council argues that it is necessary to target areas of competitive advantage more specifically by identifying which components and subsections of each industry would benefit from government assistance.
312. Although each industry within the Smart Industry Policy has its own industry sector action plan, the Smart State Council working group suggests that these plans need to be more targeted at specific sub-sectors of the industries, outline clear responsibility for implementing the recommendations and be undertaken in conjunction with industry representatives.<sup>388</sup> Each plan should be led and coordinated by multiskilled project teams.<sup>389</sup>
313. A number of submissions to the committee's inquiry supported the view that a more focused industry policy is required, with a focus on developing areas where Queensland has a competitive advantage.<sup>390</sup>

#### **Committee conclusions**

314. The committee believes that it is difficult for the Queensland Government to provide adequate support to 15 industries simultaneously and notes that other groups, such as a working group of the Smart State Council, agree with this.
315. The committee believes that the 15 industries in question are included for very different reasons. Some industries are globally competitive industries that require significant infrastructure while others are industries with low barriers to entry that require marketing and facilitation.
316. For this reason, the committee recommends that the Smart Industry Policy and 15 key industries be reviewed with the industries classified into three categories:
  - A globally competitive industry with significant infrastructure requirements and high barriers to entry;
  - Regionally significant industries; and
  - Industries with low barriers to entry.

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<sup>385</sup> Queensland Government, *Submission No. 45*, 2009, p. 19.

<sup>386</sup> Queensland Government, *Submission No. 45*, 2009, p. 20.

<sup>387</sup> Smart State Council Working Group, *Attracting investment into Queensland's knowledge-intensive industries*, Queensland Government, Brisbane, November 2008, p. 12, downloaded on 19 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>388</sup> Smart State Council Working Group, *Attracting investment into Queensland's knowledge-intensive industries*, Queensland Government, Brisbane, November 2008, p. 17, downloaded on 19 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>389</sup> Smart State Council Working Group, *Attracting investment into Queensland's knowledge-intensive industries*, Queensland Government, Brisbane, November 2008, p. 20, downloaded on 19 October 2009 from [www.smartstate.qld.gov.au](http://www.smartstate.qld.gov.au).

<sup>390</sup> QMI Solutions, *Submission No. 35*, 2009, p. 12; Ai Group, *Submission No. 43*, 2009, pp. 6-7.

317. The classification of the industries would enable the provision of more appropriate levels of support. The committee supports a stronger focus on sub-sectors within each industry with the sub-sectors selected in consultation with industry. This will allow more successful targeting of government resources.

**Recommendation 15:**

**The committee recommends the Queensland Government reviews the Smart Industry Policy and associated documents in order to categorise the 15 key industries into three categories as follows:**

- Globally competitive industries with significant infrastructure requirements and high barriers to entry;
- Regionally significant industries; and
- Industries with low barriers to entry.

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**Recommendation 16:**

**The committee recommends the Queensland Government identifies sub-sectors within the key industries in order to target government resources more effectively.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Industry clusters**

318. Individual businesses and entire industries often face major challenges in competing in the market, including keeping up with the pace of change, new technologies and efficiencies, global interconnectedness, sourcing supply chains and being competitive.<sup>391</sup> Despite having a relatively small domestic market, Queensland needs to compete against other economies on a global scale.
319. The development of industry clusters as part of an overall regional plan is key to addressing these challenges and improving regional economic development. Industry clusters make it easier for regional industries and businesses to access expertise and research, share assets and capacities and combine their resources in innovative ways in order to become more competitive across regions, state and national borders. In this way, industry clusters contribute to economic growth and reduce unemployment.<sup>392</sup> A cluster of linked businesses can generate commercial synergies and strengths that enable it to achieve a global presence even when it is geographically distant from major world markets.<sup>393</sup>
320. This approach relies on creating networks where businesses can develop solutions together to tackle problems that are designed specifically for their local regions and industries and communities. This cannot occur without more collaboration between

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<sup>391</sup> B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, pp. 17-18.

<sup>392</sup> B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, pp. 17-18.

<sup>393</sup> M Porter, 'Clusters and the New Economics of Competition', *Harvard Business Review*, November 1998, pp. 77-90; B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, pp. 17-18.

government departments, the participation of state and local governments, industry bodies, knowledge providers and the local community.<sup>394</sup>

321. In addition, industry clusters are able to address skills shortages at the local level, which in turn creates skills hubs for the current and future needs of industry. This is part of OECD's strategic employment planning that focuses on creating jobs where they are needed for industry development and therefore helps to develop available local pools of job seekers.<sup>395</sup>
322. Governments and local agencies have a significant role in providing the support that clusters need to form and strengthen. Businesses do not have the capacity to initiate collaborative structures alone in order to bring businesses and industry together to focus on skills, innovation and business development. In this way, governments help to support clusters and enable the creation of skills hubs tailored to local industry needs and technological solutions tailored to local industry needs.<sup>396</sup>
323. Factors that contribute to the success of industry clusters within regions include:
- Networks and partnerships;
  - A strong skills base;
  - Innovation and research and development;
  - Presence of large firms;
  - Good infrastructure;
  - Entrepreneurial spirit; and
  - Access to finance.<sup>397</sup>
324. Both internationally and within Australia, at all government levels, governments are recognising that clusters contribute to the success of an industry and are often basing their economic development strategies around an industry promotion/cluster approach. The UK, for example, approaches regional economic development and the promotion of industry clusters through regional development authorities. Their aim is to promote and develop regional clusters around the UK rather than to artificially create them.<sup>398</sup>
325. Local governments, such as the Gold Coast City Council, recognise the role of industry clusters in economic development. The Gold Coast City Council's Pacific Innovation Corridor program identified the need to establish a number of geographical precincts for industry development that aim to cluster related businesses and industry sectors to promote supply chain opportunities, knowledge

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<sup>394</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 195-197 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>395</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 193-195 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>396</sup> C Martinez-Fernandez, 'Australia: Local Employment Strategies that Address Diversity' in S Giguere (ed), *More than Just Jobs: Workforce Development in a Skills-based Economy*, OECD, Paris, pp. 195-196 (provided to the committee as part of OECD, *Submission No. 4*, 2009).

<sup>397</sup> B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, p. 42.

<sup>398</sup> B Cook, *National, regional and local employment policies in Sweden and the United Kingdom*, Working Paper No. 08-05, Centre of Full Employment and Equity, Newcastle, October 2008, p. 42.

transfer, the adoption of new technologies and increased research and development activity.<sup>399</sup>

### **Centres of enterprise**

326. One of the Queensland Government's responses to building industry clusters is through its centres of enterprise initiative that aims to build the economic strength of Queensland's regions. To achieve this, the government has identified six regions, each with one or two key industries. Each centre of enterprise focuses on the region's strengths and key opportunities by building on previous collaboration with business, industry and regional stakeholders to attract new investment, expand business and promote economic growth.<sup>400</sup> The committee notes that centres of enterprise have strong involvement from local governments.<sup>401</sup>
327. Strategies and activities are developed in consultation with regional leaders to focus on issues of competitive advantage, productivity, skills and training, investment attraction, innovation and technology diffusion, and infrastructure needs. One of the priorities of the centres of enterprise model is to maintain its flexibility in order to adapt to changes in a region's economic environment.<sup>402</sup> The six Queensland regions named as centres of enterprise are:
- Cairns and Far North Queensland: aviation services, tropical expertise and marine services;
  - Townsville and North West Queensland: mining and minerals processing, and tropical science and expertise;
  - Mackay Whitsunday: mining services and technologies and marine services;
  - Fitzroy and Central West Queensland: manufacturing, engineering and industrial services;
  - Wide Bay Burnett: general aviation and unmanned aerial systems, and transport equipment manufacturing; and
  - Darling Downs and South West Queensland: food processing, and industry opportunities from Surat energy developments.

### **Queensland Government's Local Industry Policy**

328. The Queensland Government's Local Industry Policy focuses on growing Queensland's regions and strengthening industries by ensuring that local industry is given fair and reasonable opportunity to be considered for major work undertaken in Queensland in both the public and private sectors. The policy encourages all stakeholders to participate in this process; that is, local industry actively seeks work on the projects and the project proponents are encouraged to utilise local industry. For local industry to be competitive, they need to develop best practice processes, increase their participation in global supply chains and network

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<sup>399</sup> Gold Coast City Council, *Business Gold Coast 2040 - Gold Coast City Economic Development Strategy: Capitalising on Our Advantage to Build a Prosperous Future*, Gold Coast City Council, Gold Coast, p. 5 (provided to the committee as part of Gold Coast City Council, *Submission No. 31*, 2009).

<sup>400</sup> Queensland Government, *Smart Industry Policy*, Queensland Government, Brisbane, undated, p. 31, downloaded 9 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>401</sup> Department of Employment, Economic Development and Innovation, Responses to Questions, Correspondence dated 8 October 2009, p 2.

<sup>402</sup> Queensland Government, *Smart Industry Policy*, Queensland Government, Brisbane, undated, p. 31, downloaded 9 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

with other organisations in local, regional and state communities.<sup>403</sup> DEEDI has programs that provide support to develop local industry capability in this way.<sup>404</sup>

329. For the purposes of government projects 'local industry' is defined as:  
*Queensland and Australian small and medium sized enterprises (SMEs) in the manufacturing or service sector and New Zealand suppliers of goods or services.*<sup>405</sup>
330. Major stakeholders, including the Queensland Government, the Ai Group, the Industry Capability Network Queensland, unions and local governments, consider local industry involvement in projects and purchasing, as advocated by the Local Industry Policy, as being key to creating jobs, managing urban growth and building Queensland's regions.<sup>406</sup>
331. The economic benefits underpinning local industry participation in projects include: developing long term, internationally competitive local manufacturing and services industry sectors; developing employment, training and skills; supporting regional and rural development; promoting value-adding activities; increasing local industry participation; and supporting other industry development activities, such as new investment, innovation and research and development.<sup>407</sup>
332. The companies are selected to undertake the work on a commercial basis. This means the policy is increasing competition and value for money.<sup>408</sup>
333. The key aims of the Local Industry Policy are commitment to local industry; local industry being given full, fair and reasonable opportunity to tender for infrastructure and resource based project work; support for the use of Australian Standards in project specifications; and support for the use of Australian design services where these are competitive with regard to cost, quality and timeliness.<sup>409</sup>

#### **Local Industry Participation Plans**

334. As part of the Local Industry Policy, there is a requirement for project proponents to develop Local Industry Participation Plans in situations where private sector projects involve a significant government financial contribution. The purpose of these plans is to encourage local industry involvement in projects and purchases. The plans list competitive local suppliers that will be invited to tender, the level of local industry participation expected and the benefits that would flow to Queensland in industry development, technology transfer, job creation and skills development.<sup>410</sup>

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<sup>403</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 2, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>404</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 5, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>405</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 2, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>406</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 4, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au); Ai Group, *Submission No. 43*, 2009, p. 3.

<sup>407</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 8, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>408</sup> M Bermingham, Deputy Director-General, Employment and Industry Development, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 13.

<sup>409</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 3, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>410</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 7, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

335. Local Industry Participation Plans must be developed for government-funded infrastructure and resource based projects that are valued at more than \$5 million or, if these projects are located in regional and rural Queensland, for projects valued at more than \$2.5 million. They are also required for major infrastructure or resource based projects where the government has made a significant contribution.<sup>411</sup>
336. At the committee's public hearing, figures regarding the success of the Local Industry Policy and the associated Local Industry Participation Plans were provided. In 2008-2009 there was \$1.88 billion of contestable work awarded. Of this, \$1.11 billion was awarded to Queensland companies. A further \$0.46 billion was awarded to companies from other states and \$0.31 billion was imported.<sup>412</sup>

#### ***Monitoring and enforcement of Local Industry Participation Plans***

337. The Queensland Government is responsible for monitoring Local Industry Participation Plans. The government works with industry and representatives from government owned corporations and the Industry Capability Network (Queensland) to ensure that local industry participation issues are considered during the project planning phase.<sup>413</sup>
338. The process for this is undertaken by government through identifying government procurement projects that fall within the criteria of being over \$5 million (or \$2.5 million in regional areas). The relevant agency is then contacted by DEEDI so that the agency is aware of its obligations under the Local Industry Policy.<sup>414</sup>

#### ***Role of the Industry Capability Network (Queensland)***

339. The Industry Capability Network (Queensland) is part of a national network that works with the Queensland Government in a number of ways to assist businesses maximise the opportunities that arise from purchasing requirements from both the government and private sectors. These include: finding the best Queensland products and industry supply capabilities and providing this information to the private and public sector; providing support to major industrial, energy and infrastructure; ensuring compliance of the Local Industry Policy and Local Industry Participation Plans; helping industry access global supply chains; and conducting industry and sectoral research.<sup>415</sup>

#### ***Criticism of the enforcement of the Local Industry Policy***

340. Throughout its inquiry, the committee heard several criticisms relating to the enforcement of the implementation of the Local Industry Policy. Both Townsville Enterprise and the Ai Group believe that local industry policies that support local

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<sup>411</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 3, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>412</sup> M Bermingham, Deputy Director-General, Employment and Industry Development, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 14.

<sup>413</sup> Queensland Government, *Local Industry Policy: A fair go for local industry*, Queensland Government, Brisbane, January 2008, p. 8, downloaded on 8 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au).

<sup>414</sup> M Bermingham, Deputy Director-General, Employment and Industry Development, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 14.

<sup>415</sup> Department of Employment, Economic Development and Innovation, *Office of Advanced Manufacturing Capability Directories*, Queensland Government, Brisbane, 2009, downloaded on 15 October 2009 from [www.industry.qld.gov.au](http://www.industry.qld.gov.au); Industry Capability Network Queensland, *What we do*. Industry Capability Network Queensland, Brisbane, undated, downloaded on 15 October 2009 from [www.icnqld.org.au](http://www.icnqld.org.au).

industry involvement in government purchasing and projects, as well as encourage the dissemination of information to major companies and government agencies regarding local industry capability, are essential. These policies contribute to stimulating employment, maintaining a skilled labour force and ensuring local businesses are doing a percentage of the work.<sup>416</sup>

341. While the AMWU strongly supports the policy and the use of Local Industry Participation Plans, the union believes that the government at times has been inefficient in its implementation of the policy. The AMWU acknowledges the efforts of the Industry Capability Network (Queensland) and officers of DEEDI in their roles for developing Local Industry Participation Plans. However, the AMWU believes that government owned corporations and government agencies have on occasion failed to ensure that planning for local industry participation is incorporated in government procurement and investment.<sup>417</sup>
342. Although the only projects where Local Industry Participation Plans are required are those that utilise government funding over \$2.5 million in regional areas and \$5 million elsewhere in the state, the actual enforcement of this has been sporadic.<sup>418</sup> On this basis, the AMWU recommended to the committee strengthening the Local Industry Policy to improve opportunities for local content in projects by updating the Local Industry Policy to clarify where it applies compulsorily. The AMWU also suggests that the Queensland Government consider developing and implementing an effective oversight process for Local Industry Participation Plans to investigate the application of the policy.<sup>419</sup>
343. QMI Solutions comments that Local Industry Participation Plans are not designed to guarantee that local companies will receive work. Local businesses will be given equal opportunity to tender, but their success in tendering will be based on their merits and ability to compete. The enforcement element of Local Industry Participation Plans relates to ensuring that applicable projects provide plans prior to the tendering process.<sup>420</sup>
344. The AMWU also recommended amending the Local Industry Policy to include the development of detailed industry development plans for strategic government projects with a capital project value of \$50 million or more. This would be determined in consultation with the Industry Capability Network (Queensland) and Queensland Government. In addition, Local Industry Development Plans should be provided, replacing Local Industry Participation Plans for these projects. These development plans would provide details on the potential local industry participation, incorporate programs to develop competitive local capacity and skills, and develop local capacity into the supply chains of other similar projects.<sup>421</sup>
345. Townsville Enterprise suggested that one way to increase local industry participation was for the Queensland Government to investigate and implement measures to reduce the bureaucracy surrounding the decision-making process.<sup>422</sup>

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<sup>416</sup> Townsville Enterprise, *Submission No. 38*, 2009, p. 6; Ai Group, *Submission No. 43*, 2009, p. 17.

<sup>417</sup> Australian Manufacturing Workers' Union, *Submission No. 39*, 2009, pp. 5-6.

<sup>418</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 50-51; Australian Manufacturing Workers' Union, *Submission 39*, 2009, pp. 5-6.

<sup>419</sup> Australian Manufacturing Workers' Union, *Submission No. 39*, 2009, p. 7.

<sup>420</sup> D Pettigrew, Manager, Strategy and Business Development, QMI Solutions, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 50-51.

<sup>421</sup> Australian Manufacturing Workers' Union, *Submission No. 39*, 2009, pp. 7-8.

<sup>422</sup> Townsville Enterprise, *Submission No. 38*, 2009, pp. 6-7.

### **Committee conclusions**

346. The committee notes the concerns raised by several groups relating to ensuring that the aims of the Local Industry Policy are maintained. The Queensland Government should undertake a review to ensure that the processes for managing the Local Industry Policy ensure that its aims are met and that the process occurs in a timely manner.
347. The committee believes that a greater degree of scrutiny of Local Industry Participation Plans is required during periods of economic downturn, when Queensland employers are more reliant on government spending. When infrastructure spending is being used to avoid recession, greater attention should be placed on ensuring government moneys are resulting in employment outcomes for Queensland.

#### **Recommendation 17:**

**The committee recommends the Queensland Government reviews the implementation of the Local Industry Policy with specific reference to ensuring the aims of the policy are met and that Local Industry Participation Plans are submitted in a timely manner and are complied with by contractors.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

### **Unbundling of projects**

348. The committee has received submissions that promote changing the way that some projects are delivered to increase the participation of local industry and SMEs. This type of approach to developing competitive local business and industry promotes the 'unbundling' of some projects.<sup>423</sup> In the past, the government has found it difficult to attract sufficient and quality suppliers, particularly during periods of high economic growth. To overcome this, projects were often bundled together to make the tender more attractive to larger suppliers.
349. The 'unbundling' of projects would assist SMEs to either provide a joint or solo proposal for tendering and therefore be in a position to compete against larger and more established businesses.<sup>424</sup>
350. The committee believes that more support can be offered to companies that are seeking to tender under the Local Industry Policy. The Queensland Government should liaise with regional economic development boards and business groups to help facilitate local suppliers in tendering for government projects and create alliances.
351. One way of overcoming the challenge faced by the SME sector in tendering for large government projects is through a process of alliancing, where local businesses work collaboratively to create a supply chain to meet project requirements. This would alleviate many of the issues for SMEs surrounding the process of tendering for a large procurement and assist local businesses to be able to undertake the level of work required. As many SMEs may not be aware of how to do this, the involvement of the Industry Capability Network (Queensland) may be

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<sup>423</sup> Townsville Enterprise, *Submission No. 38*, 2009, p. 7.

<sup>424</sup> D Copeman, Campaigner, Australian Manufacturing Workers' Union, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p 27.

required to assist the SMEs in networking to provide a joint tender and in providing advice on how to prepare tenders for evaluation.<sup>425</sup>

**Recommendation 18:**

**The committee recommends the Queensland Government liaises with regional economic development boards and business groups to facilitate the ability of local suppliers to have the capacity to tender for government projects and create alliances.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**Recommendation 19:**

**The committee recommends the Queensland Government reviews the way projects are packaged to increase opportunities for local businesses and industries to tender on projects.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**The role of local government in regional economic development**

352. Local governments within Australia have experienced increasing pressure to participate in economic planning.<sup>426</sup> This phenomenon is not unique to Australia with a worldwide push for more local measures to address local issues.<sup>427</sup> Local government has an important role to promote, facilitate and coordinate local and regional economic development activities. They have a range of functions including leadership, advocacy, provision of infrastructure and planning schemes to facilitate sustainable growth, management of key assets and effective regulation, as well as nurturing an attractive environment to attract economic and tourism investment.<sup>428</sup>
353. However, the combination of limited legislative powers and limited resources have contributed to most Australian local councils being unable to effectively pursue local economic development policies.<sup>429</sup> As a result, local governments tend to focus their economic development activities on areas where they are most likely to make an impact.<sup>430</sup>
354. Different local councils have used different approaches to develop their local economies including tapping into funding opportunities available through targeted programs offered by state or federal governments, leveraging off something that exists within their area that is desirable (tourism, for example) or accessing financial and political resources to help kick-start projects that serve as a catalyst for further development. However, most councils do not get beyond developing a

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<sup>425</sup> D Copeman, Campaigner, Australian Manufacturing Workers' Union, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p 27.

<sup>426</sup> S Lennon, W O'Neil, and M Spiller, 'The role of local government in economic development: findings of a national survey of Australian local government authorities', *Sustaining Regions*, vol. 2, no. 3, 2003, p. 36.

<sup>427</sup> S Jones, 'Can Australian local governments have a role in local economic development?: Three cases of evidence', *Urban Policy and Research*, vol. 26, no. 1, 2008, p. 24.

<sup>428</sup> Local Government Association of Queensland, *Submission No. 46*, 2009, p. 2.

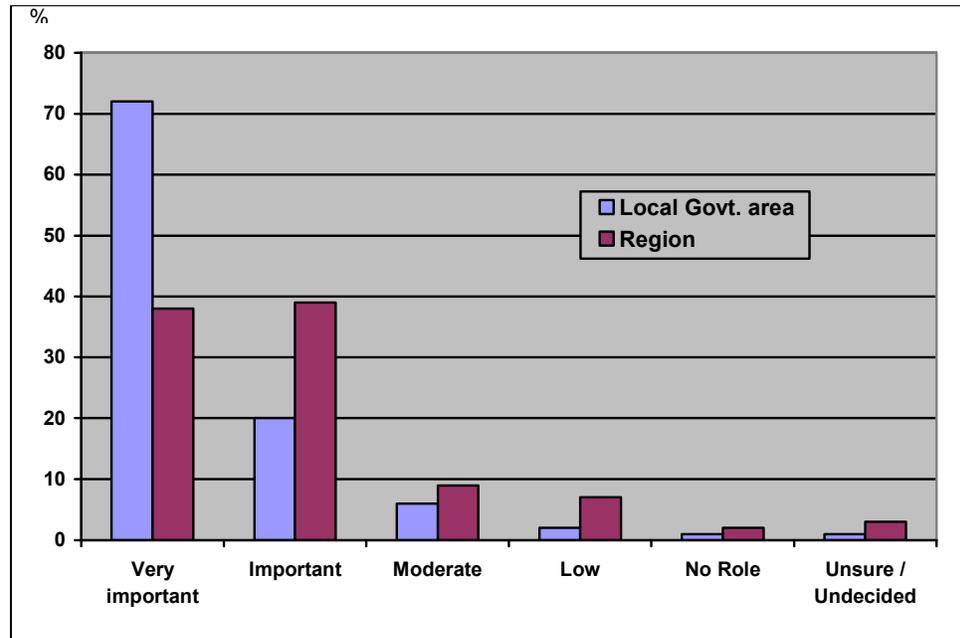
<sup>429</sup> S Jones, 'Can Australian local governments have a role in local economic development?: Three cases of evidence', *Urban Policy and Research*, vol. 26, no. 1, 2008, p. 24.

<sup>430</sup> S Lennon, and W O'Neil, *Facilitating Regional Economic Development – Local Government Perceptions and What It Can Do?* ANZRSAL 27<sup>th</sup> Annual Conference – Regional Development – Who Owns It?, Fremantle, 28 September to 3 October 2003, p. 3.

wish list for development projects that are promoted as local economic development.<sup>431</sup>

355. As shown in Figure 7, Australian councils believe that they have an important role to play in economic development. However, 45 per cent of local councils believe that the state government has the lead role in regional economic development.<sup>432</sup>

**Figure 7: Local government perception of their role in promoting and facilitating local and regional economic development**



Source: S Lennon and W O'Neil, *Facilitating Regional Economic Development – Local Government Perceptions and What It Can Do?* ANZRSAL 27th Annual Conference – Regional Development – Who Owns It?, Fremantle, 28 September to 3 October 2003, p. 6.

356. The Queensland Government develops policies in conjunction with local government. For instance, the Queensland Government, the Local Government Association of Queensland and Ergon Energy produced the Incorporating Economic Development into Local Government Planning guidelines. These guidelines identify strategies for state and local governments on delivering economic programs across Queensland.<sup>433</sup> The centres of enterprise have regional stakeholder engagement including local governments.

357. Additionally, the Australian Government, in conjunction with the Queensland Government, is establishing 12 RDA committees within Queensland. Each committee will include at least two local government representatives. As all three

<sup>431</sup> S Jones, 'Can Australian local governments have a role in local economic development?: Three cases of evidence', *Urban Policy and Research*, vol. 26, no. 1, 2008, p. 24.

<sup>432</sup> S Lennon, and W O'Neil, *Facilitating Regional Economic Development – Local Government Perceptions and What It Can Do?* ANZRSAL 27th Annual Conference – Regional Development – Who Owns It?, Fremantle, 28 September to 3 October 2003, p. 8.

<sup>433</sup> Queensland Government, Local Government Association of Queensland and Ergon Energy, *Incorporating Economic Development into Local Government Planning*, Local Government Association of Queensland, Brisbane, 2007, p i.

levels of government will be represented, the regional development efforts of each level of government should become more aligned. The committee notes that there is some concern from the local government sector regarding the level of engagement that they have had in the development of the RDA committees and mechanisms.<sup>434</sup>

358. The committee's consultation identified a number of suggestions to improve the collaboration between the state government and local governments. The committee was advised that there is greater opportunity for DEEDI to play a more proactive role in collaborating with regional and local governments. For instance, DEEDI should realign some of its focus to ensure it is in line with the priorities of local governments.<sup>435</sup> Additionally, it was recommended that DEEDI regional centres have the ability to approve funding as these centres are more attuned to local needs.<sup>436</sup> Local governments also called for a whole-of-government approach for the state government's work with local governments so that individual councils are not operating in isolation.<sup>437</sup>
359. Townsville Enterprise, an organisation representing the Townsville, Burdekin, Charters Towers and Hinchinbrook councils, suggests that local businesses need help to successfully tender for local government contracts. This is because there is confusion about what constitutes 'value for money' as required in the *Local Government Act 1993*. Townsville Enterprise suggests that local governments develop more defined purchasing guidelines on identifying, assessing and weighting cost and non-cost related factors to provide both value for money for ratepayers and maximum local economic impact. Training would be required to ensure that local government purchasing officers used these guidelines effectively.
360. The Queensland Government should provide detailed guidelines with worked examples for local government. Townsville Enterprise also recommends workshops for local suppliers on how to successfully tender for local government work, providing meaningful feedback to unsuccessful local tenderers and surveying sections of industry that historically have a low participation rate in applying for local government tenders to understand the issues that cause this.<sup>438</sup>
361. Additionally, it is important for local governments to work with neighbouring councils to develop a regional approach.<sup>439</sup> The importance of this is recognised by the Local Government Association of Queensland.<sup>440</sup>

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<sup>434</sup> G Hoffman, Director, Policy and Representation, Local Government Association of Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 17; G Perry, Manager, Economic Development Branch, Gold Coast City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 21; Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009.

<sup>435</sup> N McGuire, Deputy Manager, Economic Development, Logan City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 22.

<sup>436</sup> G Perry, Manager, Economic Development Branch, Gold Coast City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 24.

<sup>437</sup> R Dyne, *Submission No. 24*, Gympie Regional Council, 2009, p. 2.

<sup>438</sup> Townsville Enterprise, *Submission No. 38*, 2009, pp. 6-7.

<sup>439</sup> S Lennon and W O'Neil, *Facilitating Regional Economic Development – Local Government Perceptions and What It Can Do?* ANZRSAI 27<sup>th</sup> Annual Conference – Regional Development – Who Owns It?, Fremantle, 28 September to 3 October 2003, p. 4.

<sup>440</sup> G Hoffman, Director, Policy and Representation, Local Government Association of Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 19.

362. The role of governments in undertaking local economic development should incorporate an understanding of the social and cultural environment.<sup>441</sup> This is particularly important for areas such as the Gold Coast city that face social sustainability challenges as a result of high levels of socioeconomic disadvantage and an apparent low level of social capital.<sup>442</sup>

**Committee conclusions**

363. As outlined above, the purchasing policies of local governments can be improved to boost local economic development. The committee considers that the streamlining of existing processes is a cost effective method of promoting economic development at a regional level. The committee recommends that the Queensland Government assist the local government sector to develop better defined purchasing guidelines and assist in the provision of training regarding these guidelines.
364. Local government spending is important, particularly in regional areas, for local companies. It is therefore important that industry participate in the local government tender process. The committee believes the state government should undertake research to examine which industry sectors have a historically low participation rate in applying for local government tenders. This research would help identify the industry sectors that would benefit from tendering for local government work and the types of assistance that would help them to do this in order for them to grow. The committee suggests that it is the role of local governments themselves to provide workshops to assist local suppliers tender for their work and to provide meaningful feedback to those organisations that are unsuccessful.
365. Some local governments are already playing a role, and have been for some time, in regional economic development. The committee believes that this collaborative approach to economic development is the most appropriate way to ensure that local issues are addressed in a large decentralised state like Queensland. The committee notes the concerns from the local government sector regarding the lack of previous engagement and believes that these should be addressed.
366. As outlined above, the purchasing policies of local governments can be improved to boost local economic development. The committee considers that the streamlining of existing processes is a cost effective method of promoting economic development at a regional level. The committee recommends that the Queensland Government assist the local government sector to develop more defined purchasing guidelines and assist in the provision of training regarding these guidelines. Additionally, the committee believes the state government should undertake research to examine which industry sectors have a historically low participation rate in applying for local government tenders. The committee suggests that it is the role of local governments themselves to provide workshops to assist local suppliers tender for their work and to provide meaningful feedback to those organisations that are unsuccessful.

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<sup>441</sup> R Eversole and J Martin, 'Bridging the Development Gap: Community and Industry Development in Rural Australia', *Sustaining Regions*, vol. 5, no. 1, 2005, p. 24.

<sup>442</sup> Gold Coast City Council, *Submission No. 31*, 2009, p. 9.

367. Although the amalgamation of local councils has made it easier for local governments to consider regional economic development, the committee believes that smaller local governments should be encouraged to consult with neighbouring local governments to address regional economic development issues such as employment creation. The committee notes that economic development should not occur in isolation but must take into consideration the particular social and environmental contexts.
368. The committee notes that smaller local governments have limited financial resources to provide extensive economic development activities. However, the committee has been unable to extensively investigate this issue as part of their current inquiry. The committee suggests that the Treasurer and Minister for Employment and Economic Development and the Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships consider this issue further in conjunction with the local government sector.
369. The committee also believes that, if accepted, the committee's proposal for regional planning provides an important interface between the respective roles of local and state governments on matters of economic development and employment creation. The committee believes that local government should be an important partner in developing regional plans for employment creation.

**Recommendation 20:**

**The committee recommends the Queensland Government, in conjunction with the local government sector, develops more defined purchasing guidelines for local government and assists in the provision of training regarding these guidelines.**

**Ministerial Responsibility: Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships**

**Recommendation 21:**

**The committee recommends the Queensland Government undertakes research to identify which industry sectors have a historically low participation rate in applying for local government tenders and to identify opportunities for local businesses to make use of government procurement.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**Recommendation 22:**

**The committee recommends the Queensland Government considers the feasibility of encouraging smaller local governments to cooperate with neighbouring local governments in order to develop a regional economic development approach.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**Recommendation 23:**

The committee recommends the Queensland Government considers providing funding for local governments not currently undertaking economic development activities, and if they are not funded through a broader regional economic development group, provide funding to promote strong local government economic development programs.

**Ministerial Responsibility:** Treasurer and Minister for Employment and Economic Development and Minister for Local Government and Aboriginal and Torres Strait Islander Partnerships

**Recommendation 24:**

The committee recommends the Queensland Government includes local government as a partner in developing regional employment creation plans.

**Ministerial Responsibility:** Treasurer and Minister for Employment and Economic Development

**Climate change**

370. Climate change is significant, complex and uncertain.<sup>443</sup> The implications of climate change for the environment has impacts on social and economic activity as well as prosperity and human development.<sup>444</sup> The need to manage the effects of the GFC in the short term needs to incorporate the structural reforms to manage future climate change.<sup>445</sup>
371. However, it is difficult to effectively identify the costs and benefits of responding to climate change.<sup>446</sup> This is exacerbated because there is uncertainty regarding the nature and scale of the impacts of climate change.<sup>447</sup> Policymakers need to avoid regulations and policies that unnecessarily damage the global economy and trading system. Policies that support a more open and prosperous global economy will ultimately provide a cleaner path to a healthier environment.<sup>448</sup>
372. The committee received evidence from several organisations suggesting that climate change is impacting, or is expected to impact, on their operations. Industries that are impacted include the resources<sup>449</sup> and tourism<sup>450</sup> industries as

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<sup>443</sup> R Tol, 'The Economic Effects of Climate Change', *Journal of Economic Perspectives*, vol. 23 no. 2, 2009, p. 29.

<sup>444</sup> N Stern, 'What is the Economics of Climate Change?', *World Economics*, vol. 7, no. 2, 2006, p. 6.

<sup>445</sup> Commission of the European Communities, *Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of Regions: A Shared Commitment for Employment, Commission of the European Communities*, Brussels, p. 2 (provided to the committee as part of European Commission, Submission No. 5, 2009).

<sup>446</sup> S Agrawala and S Fankhauser, 'Putting Climate Change Adaptation in an Economic Context', in S Agrawala and S Fankhauser (eds), *Economic Aspects of Adaptation to Climate Change: Costs, Benefits and Policy Instruments*, OECD, Paris, 2008, pp. 21-22.

<sup>447</sup> N Stern, 'What is the Economics of Climate Change?', *World Economics*, vol. 7, no. 2, 2006, p. 2.

<sup>448</sup> S James, *A Harsh Climate for Trade: How Climate Change Proposals Threaten Global Commerce*, Centre for Trade Policy Studies, CATO Institute, No. 41, September 2009, p. 2.

<sup>449</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 5.

<sup>450</sup> D Gschwind, Chief Executive Officer, Queensland Tourism Industry Council, Public Hearing Transcript, Economic Development Committee, Brisbane, 4 September 2009, p. 37.

well as local governments.<sup>451</sup> The CCIQ stated that small and medium size businesses are not aware of the possible impacts of the Carbon Pollution Reduction Scheme on their business and, as a result, are not putting management strategies in place for their organisations.<sup>452</sup> There is also little recognition of environmental businesses as an industry.<sup>453</sup>

373. The Queensland Government acknowledges that it needs to assist businesses manage climate change issues by developing and disseminating tools and information to help industries adapt to increasing climate risk and respond to climate change mitigation arrangements.<sup>454</sup> The business community is aware that they need to work cooperatively with government to help manage environmental issues such as climate change.<sup>455</sup>

374. As well as managing climate change and the impact on industry, there is also the opportunity to develop 'green jobs' for the future. For instance, new growth sectors in Queensland could include green building technologies as well as new energy generation including biofuels, geothermal and solar energy.<sup>456</sup>

### **Committee conclusions**

375. The impact of climate change on economic development and employment creation within Queensland is complex. The committee acknowledges that climate change, and the managing of this phenomena, will impact on employment within Queensland. However, the committee has been unable to thoroughly investigate this issue within the time frame set by the Queensland Legislative Assembly. As a result, the committee does not make any recommendations regarding this specific issue. The committee acknowledges that there is the need to undertake further work within this area in the future to assess the impact of climate change on economic development and employment within Queensland.

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<sup>451</sup> G Hoffman, Director, Policy and Representation, Local Government Association of Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 30; N McGuire, Deputy Manager, Economic Development, Logan City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 31; D Jackson, Manager, Economic Development, Brisbane City Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 31.

<sup>452</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Growth: Policy Priorities for Queensland's State Government*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 38 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>453</sup> Environment Industries Sunshine Coast, *Submission No. 40*, 2009, p. 3.

<sup>454</sup> Queensland Government, *Submission No. 45*, 2009, p. 15.

<sup>455</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Growth: Policy Priorities for Queensland's State Government*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 37 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>456</sup> Queensland Government, *Submission No. 45*, 2009, p. 20.



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## PART 7 - GOVERNMENT REGULATION AND ITS IMPACT ON ECONOMIC GROWTH & RECOVERY

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376. The purpose of government regulation is to protect the community and economy with mechanisms that achieve economic, environmental and social goals which may not have been achieved if the market was left to work unregulated.<sup>457</sup> A review of regulation is essential to ensure that it continues to achieve these goals over periods of time. For this reason, macroeconomic and microeconomic regulatory reforms were undertaken in Australia in the 1980s. These reforms, which were followed by the National Competition Policy initiative of the Australian Government in the mid-1990s, began the process of streamlining the regulation of economic activities.<sup>458</sup> The changes made under these regulatory reforms substantially improved the competitiveness, flexibility and resilience of the Australian economy.<sup>459</sup>
377. More recently, COAG's National Reform Agenda has set about streamlining state based economic and business regulations to ensure more cross-jurisdictional consistency. The National Reform Agenda recognises the impact regulation has on the competitiveness of an economy and its level of attractiveness to outside investment. Obsolete, excessive and/or poorly designed or administered regulation imposes unnecessary costs or burdens on businesses and individuals in the form of time and money, as well as costing government time and money administering, communicating and enforcing regulation.<sup>460</sup>
378. The costs of regulation for the wider economy become apparent through rising prices, and lower levels of innovation, productivity, competition and consumer choice, which have a direct impact on levels of employment, economic growth and recovery. It is therefore imperative for a government to find the right balance between the benefits and costs of regulation to ensure economic growth.<sup>461</sup>
379. 'Regulatory burdens' are broadly defined by the Productivity Commission to include:
- The time and financial costs directly involved in complying with regulations, such as form filling, mandatory returns and other paperwork;
  - Changing the ways that goods and services would otherwise be produced by business;
  - Changing or restricting the goods and services that would otherwise be produced by business; and

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<sup>457</sup> Queensland Government, *Submission No. 45*, 2009, p. 39.

<sup>458</sup> C Walsh, 'The Costs and Benefits of Alternative Approaches to the Provision of Essential Infrastructure and the Regulation of Economic Activity in a Federal System', *Public Policy*, vol. 2, no. 3, 2007, p. 227.

<sup>459</sup> Organisation of Economic Co-operation and Development, *Economic Survey of Australia*, OECD, Paris, 2003.

<sup>460</sup> Queensland Government, *Submission No. 45*, 2009, p. 39.

<sup>461</sup> Queensland Government, *Submission No. 45*, 2009, p. 39.

- The costs of forgone or reduced opportunities resulting from constraints on the capacity of business to enter markets, innovate or respond to changing technology, market demand or other factors.<sup>462</sup>
380. The CCIQ sees the state government's role as creating a strong and competitive business environment that is conducive to economic growth and reduces the cost of doing business, that will allow local industries to compete nationally and globally and be positive for employment creation.<sup>463</sup>

### The need for reviewing government regulations

381. Economies around the world understand the important role that increasing productivity and competition plays in economic growth and the role of regulation reduction in this process. Productivity increases can be achieved fundamentally only through improving workers' skills or finding new and better forms of knowledge and ideas that translate into improved technologies, products and services.<sup>464</sup> The need to reduce unnecessary compliance burdens on business to stimulate economic growth and recovery, particularly during economic downturns, is driving global regulatory reform agendas. The Productivity Commission estimates that further regulatory and competition reforms have the potential to increase Queensland's gross state product by a rate of almost two per cent over a 10 year period.<sup>465</sup>
382. The reduction of regulation reduces unnecessary financial and time burdens on business, helping them to pursue innovative initiatives, including identifying ways to improve their core business through technological advances and exploring research and development activities related to commercialising their ideas. Market adoption of the outcomes of innovative activities promotes productivity and increases investment, employment, incomes, tax receipts, competition and overall economic activity during the recovery phase and into the long term.<sup>466</sup>
383. The need for streamlining current regulations and regulatory compliance is highlighted by the Productivity Commission which reveals Queensland has the highest regulatory requirements of any state or territory in Australia with over 70,000 pages of regulation and statutory rules. As shown in Table 7, this is 10 per cent more than the next highest state, Western Australia, with 63,567 pages. This report also shows that Queensland has the highest number of business regulations in Australia at 93.<sup>467</sup>

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<sup>462</sup> Productivity Commission, *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, Productivity Commission, Canberra, August 2009, p. 14, downloaded on 18 November 2009 from [www.pc.gov.au](http://www.pc.gov.au).

<sup>463</sup> Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009, p. 3; N Behrens, General Manager, Policy, Chamber of Commerce and Industry Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 6.

<sup>464</sup> E Webster, 'Policy Forum: Enhancing the national innovation system. Does Australia have a 'National Innovation System'?', *The Australian Economic Review*, vol. 42, no. 1, 2008, p. 84.

<sup>465</sup> Queensland Government, *Submission No. 45*, 2009, p. 39.

<sup>466</sup> Queensland Government, *Submission No. 45*, 2009, p. 39.

<sup>467</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 7 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009); N Behrens, General Manager, Policy, Chamber of Commerce and Industry Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 6.

**Table 7: Number of regulatory instruments and pages, Australian jurisdictions, 30 June 2007**

	C/wealth	NSW	VIC	QLD	SA <sup>a</sup>	WA	Tas	NT	ACT
Acts	1,279	1,257	870	543	545	844	605	365	305
Pages	98,486	32,700 <sup>b</sup>	44,214	49,419	16,525	40,751	13,254	16,992	21,771
Statutory Rules	18,000	388	556	319	558	761	1,782	382	158
Pages	90,000	7,717	12,625	15,635	8,526	22,816	12,071	4,057	7,763
Total Pages	188,486	40,417	56,839	70,748	25,403	63,567	25,325	21,049	29,534

<sup>a</sup> Based on legislation in force at 31 December 2007. <sup>b</sup> Approximate page count calculated by converting number of bytes in the html-format NSW Legislation database.

Source: *Productivity Commission, Performance Benchmarking of Australian Business Regulation: Quantity and Quality, November, 2008, p. 32.*

384. However, Queensland Treasury states that the use of a page count of regulation is not a true indication of regulatory burden as it provides only a general indication of the volume of regulation in Queensland and not the regulatory burden on business from that regulation. Further, Queensland Treasury considers that, while it is important to have benchmarks against which the Business Council of Australia measures state performance in regards to the regulatory making process, the Business Council of Australia assessment is limited in scope and does not provide a full account of regulatory processes adopted in Queensland.<sup>468</sup>
385. The committee heard of occasions where regulation had large impacts on businesses within specific industries. The Queensland Tourism Industry Council (QTIC) raised concerns about regulatory fee increases for their industry. In one case, the fee payable to the Environmental Protection Agency for an activity that had been set at \$1,500 for 17 years increased to \$10,600. QTIC believes that these types of fee increases impact on jobs.<sup>469</sup>
386. AgForce Queensland advised the committee that the current level of regulation has significant direct and indirect costs on the agricultural industry. According to the National Farmers Federation, the cost of regulation for grazing farms alone was approximately \$14,000 per annum, the equivalent of 16 productive days taken out of a grazing farm or four per cent of the total expenses of a grazing farm. For a mixed farm situation, the costs total approximately \$35,000 per annum, with \$30,000 in direct overhead expenses imposed by red tape and \$3,500 for wage expenses. In addition, 20 days of productive work are taken out of that farm to deal with associated tasks, which is about three to four per cent of the total productive value of those farms.<sup>470</sup>
387. Queensland subordinate legislation expires 10 years after it is made unless it is repealed or expires sooner or a regulation is made exempting it from expiry.<sup>471</sup> This is designed to reduce the regulatory burden and ensure subordinate legislation is

<sup>468</sup> Auditor-General of Queensland, *Providing the information required to make good regulation*. Report to Parliament No. 6 for 2009. Queensland Audit Office, Brisbane, 2009, pp. 10-11, downloaded on 28 October 2009 from [www.gao.qld.gov.au](http://www.gao.qld.gov.au).

<sup>469</sup> D Gschwind, Chief Executive Officer, Queensland Tourism Industry Council, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, pp. 36-37.

<sup>470</sup> R Walker, Chief Executive Officer, AgForce, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 41.

<sup>471</sup> *Statutory Instruments Act 1992 (Qld)*, pt 7.

relevant to the economic, social and general wellbeing of the people of Queensland.<sup>472</sup> The parliamentary Scrutiny of Legislation Committee is conducting a review of the automatic expiry or 'sunsetting' of subordinate legislation in Queensland.<sup>473</sup>

### Measuring the cost of regulation

388. Measuring the costs of regulation on businesses, the community and the government is important for decision-makers to understand the likely impact of complying with the regulation and any relevant cost savings. It helps to determine whether the regulation is proportional, unnecessary or excessive. The costs of regulation include: administrative costs, such as paperwork and record keeping; substantive compliance costs, such as equipment and training; financial costs, such as regulatory charges; and indirect/market costs, such as the impact regulation has on market structures, consumption and the cost of delays.<sup>474</sup>
389. Some costs are easier to measure than others. For example, measuring the costs of the paperwork burden of a regulation is easier to quantify than measuring the loss of productivity due to restrictions on innovation and competition.<sup>475</sup>
390. The CCIQ suggest that measuring regulatory burden and setting quantifiable targets for reform is ineffective because of this difficulty in identifying and measuring tangible and intangible costs incurred by business.<sup>476</sup> At this point in time, there is no general best-practice measurement of the cost of compliance.<sup>477</sup> However, the OECD has made progress with identifying good practice methodology for measuring the cost of compliance and several examples which are provided below.
391. The United States has a program based on the Paperwork Reduction Act that focuses on the administrative costs of complying with regulations. The program analyses the individual government information collecting requirements for businesses and individuals in order to minimise the amount of paperwork the public is required to undertake in order to comply with regulation. The Paperwork Reduction Act requires federal agencies to ensure any requests for information from the public follow strict guidelines that include:
- Gaining approval from a central agency who evaluate the request by weighing the use of the information to the agency against the burden it imposes on the business or individual; and
  - Providing evidence that the information is necessary for the performance of the agency's functions, that it does not duplicate information being collected by

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<sup>472</sup> *Statutory Instruments Act 1992 (Qld)*, s. 53.

<sup>473</sup> Scrutiny of Legislation Committee, *Review of the Statutory Instruments Act: Interim Report and Call for Public Submissions*, Scrutiny of Legislation Committee, Brisbane, October 2009.

<sup>474</sup> Better Regulation Office, *Measuring the Costs of Regulation*, New South Wales Government, Sydney, June 2008, p. 3.

<sup>475</sup> Better Regulation Office, *Measuring the Costs of Regulation*, New South Wales Government, Sydney, June 2008, p. 3.

<sup>476</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 13 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009)

<sup>477</sup> G Banks, *Reducing the business costs of regulation*, Productivity Commission, Canberra, March 2003, p. 11, downloaded on 18 November from [www.pc.gov.au](http://www.pc.gov.au).

another agency and that the agency will make practical use of the information.<sup>478</sup>

392. According to the OECD, the Netherlands developed an advanced system for measuring the administrative burdens of regulation with its MISTRAL methodology. MISTRAL works in three stages:

- All 'data transfers' between a business and an authority are identified, including phone calls, inspections and documents;
- The time involved for each interaction and the level of expertise required to undertake the task are recorded; and
- The information is analysed to produce estimates of the administrative burden.

393. Burdens are measured in time as well as monetary terms. The methodology has been used to measure compliance costs of a range of laws including legislation relating to working conditions, the environment and corporate tax.

### **Queensland**

394. The Queensland Government acknowledges the need to develop a more meaningful measurement of the impacts of regulation on business and the community. In action three of the five point action plan under the Smart Regulation Reform Agenda, the government plans to:

*Introduce a streamlined, more rigorous and harmonised set of processes to improve the quality of future legislation and regulation. This system will provide better measurement and understanding of the regulatory impacts on both business and the community.*<sup>479</sup>

395. The Queensland Government uses the Commonwealth Business Cost Calculator (CBCC) to measure direct compliance costs, including administrative and operating costs, when preparing regulatory impact statements (RIS). Some of the costs measured by the CBCC include record keeping, purchasing, enforcement and publications and documentations. The CBCC is used by many government agencies across Australia and Queensland Treasury strongly encourages Queensland government agencies to use the CBCC when preparing a RIS for compliance impacts.<sup>480</sup>

396. The CBCC measures the cost of regulation for businesses. However, its limitation is that it does not account for the costs of regulation on government or the wider community. These need to be calculated separately.<sup>481</sup>

397. Despite the difficulty and manner of measuring the complete cost of compliance on business and the community, the CCIQ supports the process of establishing a baseline that can be used to measure the effectiveness of red tape changes. CCIQ sees this as being essential for reducing red tape and for ensuring accountability. CCIQ's approach to measuring the cost of compliance is to base the measurement

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<sup>478</sup> Organisation for Economic Co-operation and Development, *From Red Tape to Smart Tape: Administrative Simplifications in OECD Countries*, OECD, Paris, June 2003, p. 4, downloaded on 19 October 2009 from [www.oecd.org](http://www.oecd.org).

<sup>479</sup> Queensland Treasury, *Smart Regulation Annual Report 2007-08*, Queensland Government, Brisbane, 2008, p. 6.

<sup>480</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, p. 11, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>481</sup> Better Regulation Office, *Measuring the Costs of Regulation*, New South Wales Government, Sydney, June 2008, p. 9.

on the number of 'regulatory requirements', which are the compulsory regulatory obligations or prohibitions placed on a business or individual by each regulatory instrument. This measurement would then reflect the primary concern of business in regards to regulatory compliance, that complying with and implementing actual regulatory compliance requirements are the most burdensome aspect of the compliance process.<sup>482</sup>

### **Accountability - Regulatory Impact Statements**

398. A RIS is a documentary requirement of part 5 of the *Statutory Instruments Act 1992 (Qld)* (SIA). The objective of a RIS is to provide a consistent and transparent approach to assessing and communicating the appropriateness of certain regulatory proposals involving subordinate legislation and the likely impact, or the 'appreciable cost', on the community or part of the community. Appreciable cost is defined as including 'burdens and disadvantages and direct and indirect economic, environmental and social costs'.<sup>483</sup>
399. Under Queensland Treasury's guidelines for preparing RIS, *Regulatory Impact Statements: Procedures and Requirements*, three circumstances that may trigger RIS requirements are proposals for: new subordinate legislation; amendments to existing subordinate legislation; and re-enactment of subordinate legislation.<sup>484</sup> The key to whether a RIS is required when seeking to impose regulatory measures through subordinate legislation is where an appreciable cost(s) will be imposed on the community or part of the community as a consequence.<sup>485</sup>
400. The objective of the RIS process is to ensure costs and benefits associated with the making of subordinate legislation and alternatives to regulation are fully assessed, details of regulatory proposals are adequately detailed to relevant stakeholders and only those regulations which present the most effective response to a policy problem are adopted.<sup>486</sup>
401. The trigger for identifying whether a RIS is required to be prepared for subordinate legislation is the SIA. The SIA specifies that a RIS is to be prepared where:
- Appreciable costs to business or the community or part of the community have been identified; and
  - No comparable consultation applies; and
  - No exemptions apply.<sup>487</sup>

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<sup>482</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 13 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009); M Lewis, Education and Training Adviser, Chamber of Commerce and Industry Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 7.

<sup>483</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, p. 5, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>484</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, p. 6, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>485</sup> *Statutory Instruments Act 1992 (Qld)*, s. 43.

<sup>486</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, pp. 2-3, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>487</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, pp. 2-3, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

402. Agencies are required to lodge a RIS Assessment Form with the Queensland Office for Regulatory Efficiency (QORE) once a regulatory option has been identified, allowing a period of up to 15 working days for a formal response from QORE. Agencies also need to allow time to prepare a draft RIS if required and allow a period of between four to six months to prepare a RIS and progress to cabinet for endorsement.<sup>488</sup>
403. Once cabinet has provided approval to release the RIS for public consultation, this is undertaken. This step is then followed by the drafting of the regulation and the tabling of the subordinate legislation.<sup>489</sup>
404. It is important to note that QORE has an advisory role in the RIS process, recommending rather than directing the course of action agencies are required to undertake to comply with SIA requirements. QORE is responsible for coordinating and administering part 5 of the SIA, which relates to the RIS process, and supporting agencies throughout this. Each agency remains responsible for ensuring it complies with the relevant provisions of the SIA<sup>490</sup> and the chief executive of the agency is responsible for certifying that consideration has been given to the obligation imposed by part 5 of the SIA and the likely recommendations of the Scrutiny of Legislation Committee.<sup>491</sup>
405. Although the Queensland parliamentary Scrutiny of Legislation Committee is tasked with reviewing subordinate legislation once it is tabled in Parliament and generally monitoring the operation of part 5 of the SIA, there is no official oversight process or authority who is responsible for ensuring agencies comply with the SIA prior to the tabling of subordinate legislation.<sup>492</sup> Further, section 41(1) of the SIA provides that failure to comply with RIS requirements does not affect the validity of the subordinate legislation.<sup>493</sup> The Office of the Queensland Parliamentary Counsel does play a role in certifying subordinate legislation at the end of the drafting process to ensure that the proposed legislation is lawful.<sup>494</sup>
406. The consultation requirements for RIS under the SIA include that its preparation be notified in the Government Gazette and in a newspaper(s) likely to be read by those people particularly affected by the proposed legislation.<sup>495</sup> It is important to note that the SIA does not require the actual RIS to be published. At this point in time, QORE are working towards making RIS available for public consultation at the Smart Service Queensland (SSQ) Get Involved: Have Your Say (Get Involved)<sup>496</sup> online public consultation facility, which is a 'one-stop shop' for

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<sup>488</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, pp. 2-3, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>489</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, pp. 2-3, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>490</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, pp. 2-4, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>491</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, p. 9, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>492</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government, Brisbane, 2009, p. 8, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>493</sup> *Statutory Instruments Act (Qld) 1992*, section 41(1).

<sup>494</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government Brisbane, 2009, p. 12, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>495</sup> *Statutory Instruments Act (Qld) 1992*, section 45(1).

<sup>496</sup> [www.getinvolved.qld.gov.au](http://www.getinvolved.qld.gov.au)

community engagement on government policy.<sup>497</sup> Currently, RIS are available for viewing either through the responsible agency prior to the end of the public consultation process or on the Office of the Queensland Parliamentary Counsel's website once the subordinate legislation has been made.<sup>498</sup>

407. In 2009, the Auditor-General of Queensland released a report, *Providing the information required to make good regulation*. This report considered the systems used to provide the information to make good regulations in Queensland. The Auditor-General's findings included:

- More complete information in some explanatory notes and RIS tabled when regulations are introduced to the Legislative Assembly. The main criticism was that the full impacts on business and the community, including information regarding the costs of new and amended regulations, are not in many cases included in sufficient detail;
- The lack of provision of overarching guidelines on what is best practice and to apply this in implementing policy. Additionally, there is little training for agency officers on how to develop effective and efficient regulations, and on how to implement best practice principles; and
- The need for a 'gatekeeper' to coordinate the regulatory reform process and ensure that checks and balances are in place that developed good regulations and minimised an unnecessary burden on business and the community.<sup>499</sup>

#### **Committee conclusions**

408. The committee notes that the measurement of regulatory burden can be a complex area and that the Queensland Government recommends one type of measurement, the CBCC. However, the committee believes that the Queensland Government should consider broadening its measurement tool to include the number of specific requirements each regulation imposes on business and the wider community.

409. The committee is concerned that while the SIA provides the trigger for identifying whether a RIS is required to be prepared for particular subordinate legislation, it is dependent on the government agency to comply with the various requirements. The committee suggests that the QORE could expand its role to ensure that government agencies comply with the legislative requirements. This would increase the accountability of government agencies in ensuring that regulation is efficient and necessary.

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<sup>497</sup> Queensland Treasury, *Regulatory Impact Statement: Procedures and Requirements*, Queensland Government Brisbane, 2009, p. 9, downloaded on 19 October 2009 from [www.treasury.qld.gov.au](http://www.treasury.qld.gov.au).

<sup>498</sup> Office of the Queensland Parliamentary Counsel, [www.legislation.qld.gov.au](http://www.legislation.qld.gov.au).

<sup>499</sup> Auditor-General of Queensland, *Providing the information required to make good regulation*. Report to Parliament No. 6 for 2009. Queensland Audit Office, Brisbane, 2009, pp. 1-2, downloaded on 28 October 2009 from [www.qao.qld.gov.au](http://www.qao.qld.gov.au).

**Recommendation 25:**

**The committee recommends the Queensland Government reviews its approach to measuring the costs of regulation to consider the number of specific requirements or actions that each regulation imposes on business and the cumulative impact on businesses and the wider community.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

**Cost for government of enforcing and administering regulation**

410. The government spends taxpayer money administering and supervising regulations. The CCIQ estimates that the cost to the Queensland Government of administering regulation is more than \$870 million. International research shows that the cost of regulation to governments is significant, with a World Bank study conducted in 2005 concluding that Sweden, the UK, Norway, Belgium and the Netherlands spend between eight and 11 per cent of total government spending on administering business regulations. In terms of the impact of unnecessary regulation on the level of employment, research indicates that countries with unnecessary regulation have slower economic growth and higher unemployment rates.<sup>500</sup>

**The costs of reform**

411. The costs of reforming regulations tend to be experienced by relatively small groups in the short term while the benefits are felt by all members of the community in the medium to long term. Reforming current regulations is complex—the process involves all levels of government, environmental, economic and social systems, behavioural, institutional and attitudinal changes and many benefits will only materialise in the long term.<sup>501</sup>

**Micro and small to medium enterprises**

412. Tailoring regulation to limit the disproportionate impact on small business, which comprises more than 95 per cent of all businesses, and keeping down regulatory costs that stifle innovation and productive activity is essential if economic growth and employment is to prosper.<sup>502</sup> OECD countries have generally adopted the view that reducing the impact of regulatory burden on SMEs is important. Three approaches taken by OECD governments to reduce the regulatory burden on SMEs include:

- Providing specialised assistance to help SMEs meet their compliance requirements;
- Amending the administrative requirements to make them less stringent for SMEs; and

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<sup>500</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 6 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>501</sup> J Wilkie and A Grant, 'The Importance of Evidence for Successful Economic Reform', *Economic Roundup*, vol. 1. 2009, p. 46.

<sup>502</sup> Queensland Government, *Submission No. 45*, 2009, p 39.

- Ensuring that new and amended regulatory requirements are sensitive to small business compliance issues. This includes preparing statements, such as RISs, for regulations affecting small business.<sup>503</sup>
413. The Queensland Government also undertakes actions to reduce the regulatory burden on SMEs. The Queensland Government provides specific assistance to SMEs through its Department of Employment, Economic Development and Innovation, Business Development Division. Its programs include assistance for developing small businesses and advice on regulation affecting small business.<sup>504</sup> In addition, the Queensland Government, through the Queensland Small Business Advisory Council, provides opportunities for business to inform the government of the impact of regulation on business activity.<sup>505</sup>
414. In Queensland, 66 per cent of small businesses surveyed as part of the CCIQ's 2009 Red Tape Survey indicated that they were moderately or significantly impacted by red tape and that this had prevented business growth.<sup>506</sup> Compliance costs can include both the time taken to complete paperwork and the time taken to keep up to date with new laws and changes to existing laws, training staff in the new requirements and putting in place procedures to ensure compliance.<sup>507</sup>
415. The survey also found that just over 60 per cent of businesses spend between one to five hours and six to ten hours per week complying with government regulatory requirements.<sup>508</sup> Apart from the time taken out of normal business work and the decline in productivity to do this, the indirect costs of regulation constrain businesses, particularly small businesses, from developing new products or processes, seeking new markets or even establishing new enterprises. This is inhibitive for employment.<sup>509</sup>
416. The committee believes it is essential that the Queensland Government's review of regulation specifically considers issues relating to small business given the importance of SMEs to the Queensland economy and the impact of regulation on these companies.

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<sup>503</sup> Organisation for Economic Co-operation and Development, *From Red Tape to Smart Tape: Administrative Simplifications in OECD Countries*, OECD, Paris, June 2003, p. 6, downloaded on 19 October 2009 from [www.oecd.org](http://www.oecd.org).

<sup>504</sup> Department of Employment, Economic Development and Innovation, *Government working with business*, Queensland Government, Brisbane, 2009, downloaded on 20 October 2009 from [www.business.qld.gov.au](http://www.business.qld.gov.au).

<sup>505</sup> Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009, p. 7.

<sup>506</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, pp. 4 and 7 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009)

<sup>507</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 6 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009)

<sup>508</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 8 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009)

<sup>509</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 6 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009)

## International improvements in regulation

417. The World Bank's Doing Business project tracks regulatory reforms aimed at improving the ease of doing business. It ranks economies based on 10 indicators of business regulation that record the time and cost to meet government requirements in starting and operating a business, trading across borders, paying taxes, and closing a business. Despite the challenges governments have faced with the GFC, there have been a record number of reforms undertaken this year. Between June 2008 and May 2009, 287 reforms were recorded in 131 economies, which is 20 per cent more than were undertaken the previous year. The most popular reforms focused on making it easier to start and operate a business, strengthening property rights and improving the efficiency of commercial dispute resolution and bankruptcy procedures.<sup>510</sup>
418. In terms of the rankings for the ease of doing business, Australia maintains its position at number nine out of 183 countries for 2010 based on the 10 indicators of business regulation.<sup>511</sup> The majority of reforms undertaken by OECD high-income economies focused on easing the corporate tax burden and improving property registration systems.<sup>512</sup> For example, Germany created a new form of limited liability company, doing away with start-up requirements that were more than 100 years old.

## Queensland Government's actions in improving regulation

419. The key question for the Queensland Government in the review process is whether a regulation and/or its implementation imposes an unnecessary, and therefore avoidable, burden on business.<sup>513</sup> The Queensland Government has implemented a number of reform measures to reduce the stock of regulation through a phased program of reviews by agencies as part of the state's Smart Regulation Reform Agenda. These are aimed at improving Queensland's regulatory environment, including reducing barriers to trade and commerce between Queensland and the rest of Australia and reducing the regulatory burden on Queensland business.<sup>514</sup> Improvements to regulations during the 2007-2008 financial year delivered \$70 million in savings to Queensland business, community and government.<sup>515</sup>
420. The review process consists of two phases. The first phase is a three-year simplification plan, currently being undertaken, which includes five government agencies. The second phase commences in 2010 and will be undertaken by the remaining government agencies. An oversight committee, consisting of representatives from Queensland Treasury, Premier and Cabinet and the Public Service Commission, is reviewing the reform activities.<sup>516</sup>

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<sup>510</sup> World Bank, *Doing Business 2010: A record in business regulation reform*, World Bank, downloaded on 12 October 2009 from [www.doingbusiness.org](http://www.doingbusiness.org).

<sup>511</sup> World Bank, *Doing Business 2010: Overview*, World Bank, 2009, p. 4, downloaded on 12 October 2009 from [www.doingbusiness.org](http://www.doingbusiness.org).

<sup>512</sup> World Bank, *Doing Business 2010: Overview*, World Bank, 2009, p. 5, downloaded on 12 October 2009 from [www.doingbusiness.org](http://www.doingbusiness.org).

<sup>513</sup> Queensland Government, *Submission No. 45*, 2009, pp. 11-12.

<sup>514</sup> Queensland Government, *Submission No. 45*, 2009, pp. 11-12.

<sup>515</sup> Queensland Treasury, *Smart Regulation Annual Report 2007-08*, Queensland Government, Brisbane, 2008, p. ii.

<sup>516</sup> P McKenna, Director, Queensland Office for Regulatory Efficiency, Queensland Treasury, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 12.

421. As part of the Smart Regulation Reform Agenda, the Queensland Government is committed to improving the quality of new regulation and reducing the existing stock of regulation under the Queensland Regulatory Simplification Plan. The government is also concerned with establishing leadership and governance, measuring and reporting on progress with the reform program and improving the business-government interface. The Queensland Government's goal is to reduce the regulatory compliance burden to business and the administrative burden to government by \$150 million each year by the end of 2012-2013.<sup>517</sup>
422. Specific initiatives from the Smart Regulation Annual Report 2007-2008 designed to reduce the costs of regulation included:
- Simplified licensing frameworks for building supervisors;
  - Simplified WorkCover premium payment and assessment processes;
  - Introductions of e-smartcards to the Taxi Subsidy Scheme;
  - New taxpayer online services; and
  - Streamlined government financial incentive schemes.<sup>518</sup>
423. In addition, the Queensland Government is working with other Australian jurisdictions under the National Partnership Agreement to Deliver a Seamless National Economy to reduce regulatory compliance costs incurred by business in complying with inconsistent regulation across jurisdictions.<sup>519</sup>

#### **Committee conclusions**

424. The committees notes that the Smart Regulation Annual Report 2007-2008 advised that improvements to regulations during 2007-2008 delivered \$70 million in savings to Queensland businesses and that the Queensland Government is aiming to reduce the costs to business and government by \$150 million a year by 2012-2013. Continued monitoring is required to ensure that the Queensland Government achieves this target.

#### **Impact of other Australian reform agendas**

425. The reform agendas set as a result of the Productivity Commission's annual review of regulatory burdens on business and the COAG regulatory reform program also impact on the Queensland Government's regulatory reform process. The Productivity Commission, on behalf of the Australian Government, is undertaking a series of annual reviews of the burdens on business from the stock of Commonwealth regulation over an ongoing five-year cycle. The purpose of these annual reviews is to examine Australian Government regulations and ensure that they are efficient and effective by recommending improvements that will benefit business and the community while still supporting the policy goals of government.<sup>520</sup> The most recent review reported on social and economic infrastructure services. The 2010 review will focus on regulations that impact on business and consumer service industries.

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<sup>517</sup> Queensland Government, *Submission No. 45*, 2009, pp. 12 and 40; Queensland Treasury, *Smart Regulation Annual Report 2007-08*, Queensland Government, Brisbane, 2008, pp. 6-7.

<sup>518</sup> Queensland Government, *Submission No. 45*, 2009, p. 40.

<sup>519</sup> Queensland Government, *Submission No. 45*, 2009, p. 12.

<sup>520</sup> Productivity Commission, *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, Productivity Commission, Canberra, August 2009, downloaded on 18 November 2009 from [www.pc.gov.au](http://www.pc.gov.au).

426. COAG's National Reform Agenda focuses on reducing the regulatory burden imposed by the three levels of government. As part of this agenda, governments in Australia undertake targeted public annual reviews of existing regulation to identify priority areas where regulatory reform would significantly benefit business and the community. In addition, governments aim to identify reforms that will enhance consistency across jurisdictions or reduce duplication and overlaps in regulation.<sup>521</sup> This National Reform Agenda aims to achieve more consistency across Australian jurisdictions and increase competition in infrastructure provision and the use of national markets.<sup>522</sup>

### **Suggestions to improve regulatory efficiency within Queensland**

427. The CCIQ states that the annual cost of government regulation is estimated to be \$17.9 billion in Queensland.<sup>523</sup> As part of the inquiry process, the committee received a number of suggestions on how to reduce regulation within Queensland.

428. The CCIQ surveyed 355 Queensland businesses in 2009 regarding regulation. Businesses suggested the following strategies to reduce the cost of compliance:

- Information sharing between agencies to ensure that there are no duplicate information requirements;
- Better communication and consultation with business when developing new regulations;
- Reducing the duplication of regulation across local government boundaries and state borders; and
- Reducing the frequency of reporting requirements to a minimum.<sup>524</sup>

429. The CCIQ made a number of recommendations to reduce the regulatory burden on business including:

- Establishing high level political leadership and commitment to a state regulatory reform agenda;
- Measuring the regulatory burden and establishing a baseline of existing regulatory requirements;
- Imposing constraints on regulators through binding targets to reduce the overall stock and restrict the future growth of regulation by implementing a one in, one out approach;
- Publicly reporting regulatory reform measures and progress against the target on a regular and ongoing basis;
- Driving cultural change in the use of regulations and the way they are made;

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<sup>521</sup> Productivity Commission, *Annual Review of Regulatory Burdens on Business: Social and Economic Infrastructure Services*, Productivity Commission, Canberra, August 2009, pp. iv-v, downloaded on 18 November 2009 from [www.pc.gov.au](http://www.pc.gov.au).

<sup>522</sup> C Walsh, 'The Costs and Benefits of Alternative Approaches to the Provision of Essential Infrastructure and the Regulation of Economic Activity in a Federal System', *Public Policy*, vol. 2, no. 3, 2007, pp. 227-238.

<sup>523</sup> Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009, p. 2.

<sup>524</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 11 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

- Ensuring adequate communication consultation with the business community; and
  - Improving government customer service by setting business relevant targets for outcomes and service quality.<sup>525</sup>
430. The committee notes that the Queensland Government is already undertaking several of these measures as indicated above. Nevertheless there continue to be reports of government approval processes holding up significant new technology projects.<sup>526</sup>
431. As well as broad-scale regulation improvement suggestions, the committee heard that industry level changes were needed. The Queensland Resources Council supports the Queensland Government's promise to undertake an industry-led review of the state's resource project planning and approval processes, as this will help establish Queensland globally as an economy that promotes business development and competition through a low-cost, transparent and efficient regulatory environment.<sup>527</sup> The Queensland Resources Council asserts that this approach to achieving world-class regulation avoids the need for the government to promote specific winning industries through its industry policies, an approach that CCIQ also supports.<sup>528</sup>

### Consultation with business and industry

432. Stakeholder groups state that a disparity exists between the desirable level of consultation on regulatory reform with business and industry and the level that is actually undertaken by government. For example, the Tablelands Regional Council states that the QORE needs to undertake greater community engagement with the business community to ensure business growth and the attractiveness of Queensland as an investment location.<sup>529</sup> As mentioned previously, the CCIQ recommended the Queensland Government ensure adequate communication and consultation with the business community.<sup>530</sup>
433. As part of its consultative process, the Queensland Government has undertaken specific measures to consult with business and industry. These include placing departmental officers with the Ai Group. The purpose of this is for the government is to engage with individual enterprises to gain an understanding of the specific impact administering regulation has on business. This feedback then shapes the government's ongoing response to regulation and reform.<sup>531</sup>

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<sup>525</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 5 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>526</sup> K Sinclair, Red tape holding up bid for cheap, clean power, *The Courier Mail*, 13 November 2009, pp.44-45.

<sup>527</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 7.

<sup>528</sup> Queensland Resources Council, *Submission No. 25*, 2009, p. 7; N Behrens, General Manager, Policy, Chamber of Commerce and Industry Queensland, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 18 September 2009, p. 9.

<sup>529</sup> Tablelands Regional Council, *Submission No. 8*, 2009.

<sup>530</sup> Chamber of Commerce and Industry Queensland, *Blueprint for Fighting Queensland's Over-Regulation*, Chamber of Commerce and Industry Queensland, Brisbane, 2009, p. 5 (provided to the committee as part of Chamber of Commerce and Industry Queensland, *Submission No. 20*, 2009).

<sup>531</sup> P Henneken, Director-General, Department of Employment, Economic Development and Innovation, *Public Hearing Transcript*, Economic Development Committee, Brisbane, 4 September 2009, p. 12.

434. The Queensland Government internet site ([www.qld.gov.au](http://www.qld.gov.au)) has been redeveloped to include a whole-of-Government search engine, which includes a dedicated community consultation section. This provides a clear portal for business and community to access government information, services and opportunities to engage with Government on key issues.<sup>532</sup>
435. In relation to consultation with the government on regulation issues, QORE, under Queensland Treasury is developing plans to extend the Queensland Government central consultation website [www.getinvolved.qld.gov.au](http://www.getinvolved.qld.gov.au) to offer business and community the opportunity to put forward their regulatory reform ideas, suggestions and comments. QORE will be responsible for monitoring this central electronic hotline on government policy and regulatory proposals.<sup>533</sup>
436. For small businesses, the Queensland Small Business Advisory Council provides a link between the Queensland Government and business operators so that their issues can be heard and considered by the government.<sup>534</sup> However, the Queensland Government notes the need for continued enhancement of the communication process with business. The five point action plan that guides the government's Smart Regulation Reform Agenda includes an action to improve the business-government interface by:

*Investigating strategies to improve access by business to government information and better support consultation and compliance.*<sup>535</sup>

#### **Committee conclusions**

437. The committee notes that regulation has a significant impact on Queensland businesses and that this regulation needs review in order to improve the costs for Queensland businesses. Although the Queensland Government is undertaking action to reduce the costs of regulation on businesses, the committee suggests that further work is required in order to reduce the likelihood that the amount and burden of regulation is not increased once the review is completed. The committee believes that improvements such as Government departments sharing information across agencies to reduce the need for businesses to provide identical information to numerous departments will reduce the regulatory burden on businesses. The committee also believes there is a need to improve communication and consultation regarding regulation.

#### **Recommendation 26:**

**The committee recommends Queensland Treasury strengthens public consultation on new regulations, including providing better information to business on how they can contribute to making regulation.**

**Ministerial Responsibility: Treasurer and Minister for Employment and Economic Development**

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<sup>532</sup> Queensland Treasury, *Smart Regulation Annual Report 2007-08*, Queensland Government, Brisbane, 2008, pp. 4 and 13.

<sup>533</sup> Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009, p. 6.

<sup>534</sup> Department of Employment, Economic Development and Innovation, Additional information provided to the committee, 8 October 2009, p. 7.

<sup>535</sup> Queensland Treasury, *Smart Regulation Annual Report 2007-08*, Queensland Government, Brisbane, 2008, p. 6.

**Recommendation 27:**

The committee recommends Queensland Treasury creates an integrated communication strategy for its Smart Regulation Reform Agenda so stakeholders have a greater understanding of the objectives of the reform agenda, its achievements in reducing regulatory burden and the consultation process undertaken.

**Ministerial Responsibility:** Treasurer and Minister for Employment and Economic Development

**Recommendation 28:**

The committee recommends the Queensland Government investigates methods of ensuring the regulatory compliance burden on Queensland businesses does not increase once the review of regulation is completed.

**Ministerial Responsibility:** Treasurer and Minister for Employment and Economic Development

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## **PART 8 - SUMMARY**

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### **Unemployment (pages 3 – 18)**

438. The global economic downturn has increased the level of unemployment within Queensland, with unemployment expected to peak at 7.25 per cent in 2010-2011. However, this unemployment is distributed unevenly across Queensland with very low unemployment in the Darling Downs-South West region and very high unemployment in the Far North of the state. Particular groups of individuals, including younger, mature and Indigenous workers, are susceptible to unemployment, particularly during economic downturns.
439. Long term unemployment is a significant issue that tends to be focused in certain groups and regions. Lower levels of education, learning disabilities, lower literacy, lower levels of work experience and a lack of knowledge of workplace norms can be causes of long term unemployment.
440. The official definition of unemployment does not include those who are marginally attached to the labour force or are underemployed. Hidden unemployment refers to those who would like to be in paid employment but are not actively seeking work. Underemployment refers to those individuals who are working but would like to work more hours.
441. The economic downturn has impacted on industries unevenly across Queensland. For instance, industries that appear to have suffered job losses include construction, business services, aviation, retail and tourism. In contrast, there is strong employment growth predicted for the health and mining sectors.
442. The expense of unemployment is significant and includes direct economic and social costs. Direct economic costs are those that can be measured such as the costs incurred to government, the impact of underutilised labour and the loss of income to an individual and their family. Additionally, there are personal and societal costs including loss of skills, psychological harm and distress and social exclusion that are harder to quantify. The social costs are likely to be greater than the direct economic costs.

### **Employment programs (pages 19 – 36)**

443. Government employment programs are used to either decrease unemployment levels or maintain high employment rates by helping job seekers to overcome employment barriers. These programs have been used throughout the world and in Australia.
444. The Queensland Government has a number of measures in place to respond to rising unemployment including Jobs Assist, building programs, Green Army, Productivity Places and Skilling Queenslanders for Work programs, investing in new industries and introducing institutional training reforms for apprentices and trainees. The Queensland Government's employment programs work in conjunction with those of the Commonwealth Government.
445. One program proposed by researchers from the CofFEE at the University of Newcastle is the Job Guarantee. This program suggests that government absorb displaced workers from the private sector in times of high unemployment by maintaining a 'buffer stock' of jobs targeted to specific job seekers, such as young or long term unemployed, and paying them the minimum wage. Given the significant costs of such a proposal, the committee believes further evaluation would need to be undertaken before determining the merit and appropriateness of such an approach.

### **Skills requirements (pages 37 – 54)**

446. Employers are increasingly recognising the importance of the skills base of their workforce for their business success. For this reason, employers have an important role to play in encouraging individuals to take on skill development opportunities, working with training providers and other bodies on skill development needs and, where required, allowing employees time away from work to develop their skills.
447. The skills that a person develops at school play an important role in their ability to obtain employment in the future. School enhances literacy and numeracy skills. The committee identifies that there is a need for schools to ensure their graduates develop the skills required for employment, including science and mathematical skills.
448. Most Australian workers first enter the workforce part time while they are studying, either at school or university. This participation in part time work allows students to develop technical and other skills that make them more employable once they leave school. However, while the committee believes that this type of work is important in developing employability, there needs to be further consideration of the impact of part time work on study.
449. There is increasing recognition of the importance of generic skills. These types of skills help employees adjust to changing circumstances and organisational needs. They also enable innovative capabilities in all workers. Specialist skills, including science, engineering, technology and business, are also recognised as being important. Given the critical nature of generic skills, the committee believes that all job seekers should have access to programs that develop and update these skills.
450. Traditional apprenticeship commencement rates have fallen by approximately 20 per cent during the current economic downturn. This is a significant issue given that there will be fewer skilled workers available after the economy improves. As a result, the committee believes there is a need to smooth out traditional apprenticeship commencement rates so the fall is minimised during an economic downturn. This can be done by considering changes to the incentive arrangements, re-invigorating pre-apprenticeship programs, increasing public sector training, supporting best practice in group training companies, improving multi-employer coordination and using a more institutional approach for apprenticeship training.
451. Skilled migration is one measure that can be used to address skills shortages. The committee supports the use of skilled migration to address short term skills shortages within Queensland provided it does not reduce the number of individuals who are being trained in the required skills within Australia.
452. The committee believes that, given the shortage of skills across the state, place of residence should not prohibit the development of skills. The committee believes that the Queensland Government should review learning opportunities for individuals living in regional areas to ensure that flexible delivery options are provided.

### **Innovation (pages 55 – 66)**

453. Innovation plays an important role in determining the prosperity of an economy and is therefore central in economic policy. As innovation impacts an economy's global performance, which is essential in maintaining and improving per capita incomes and living standards, it also assists in protecting Australia from the effects of global downturns.
454. Although the total spending in Queensland on research and development, a major component of innovation, increased over the last decade, the state's contribution to R&D is only 0.13 per cent of global expenditure on R&D. This puts Queensland at a

competitive disadvantage against leading OECD economies driven by knowledge-intensive industries that are based on levels of innovation and R&D.

455. The Queensland Government participates in a number of programs to encourage innovation. These include the Smart State Strategy, as well as the work of DEEDI, QMI Solutions and the AIC.
456. The purpose of the Queensland Government's Smart State Strategy 2008-2012 is to position knowledge, creativity and innovation as key drivers of the state's economic growth. In order to achieve this, the government has invested in education and training reforms and research and development infrastructure, and broadened the state's industry base. QMI Solutions Limited role is to improve the competitiveness, innovation, skills and sustainability within small to medium manufacturing enterprises. The AIC advises entrepreneurs, small business, research organisations and governments on the commercialisation of their intellectual property.
457. As SMEs make up a significant proportion of Queensland businesses, their contribution to innovation is essential. In addition, SMEs are closely aligned to customer and market needs and their input into the direction of sector based R&D activities ensures the outcomes of these activities make their way to the market. For this to occur, SMEs require knowledge, connections, time and support to undertake innovative activities.
458. The Queensland Government recognises the importance of supporting SMEs to undertake innovative activities and has a number of programs to help SMEs overcome the obstacles they face when undertaking innovation. These include helping to create new collaborations between research bodies and businesses in order to ensure that new innovations are commercialised for the benefit of all Queenslanders. The Queensland Government supports three technology incubators that provide coaching, infrastructure, networks and advice on how to develop knowledge based innovative businesses.

### **Regional and industry considerations (pages 67 – 94)**

459. The committee recognises that different regions face different challenges, particularly in Queensland where there is diversity across urban, regional and remote/rural communities. The OECD has identified that integrating regional policies, in the form of regional plans, is a key determinant for regional growth. Regional planning is an important tool that is used to coordinate social, economic and ecological interests. Regional plans include land use priorities, environmental protection, identify residential, rural and infrastructure areas, reserve space for the expansion of private and government activity and regulate the employment of people. The committee believes that it is essential that regional land use and infrastructure planning occur in conjunction with planning for regional skills, employment and industry policies.
460. The primary policies used in the Queensland Government's approach to economic development include the Local Industry Policy, the Smart Industry Policy, the Queensland Skills Plan, the Sustainable Resource Communities Policy and the Blueprint for the Bush regional plans. The committee notes that there are concerns related to ensuring that the aims of the Local Industry Policy are maintained. It therefore believes that the government should review the way that the Local Industry Policy is implemented. It also recommends that large government projects are broken into smaller components to allow SMEs within Queensland to bid for the work.
461. The Queensland Government has identified 15 key new and emerging industries to support under the Smart Industry Policy and Decision Making Framework. This framework aims to guide the identification of sectors to be allocated priority status, outlines a process for assessing opportunities and allocating resources to

accelerate the development of priority sectors, as well as evaluate government support to determine whether there are future or ongoing opportunities. However, the committee believes that it is difficult for the Queensland Government to adequately support 15 industries simultaneously. The committee therefore recommends that these industries are reclassified into three categories depending on the level of support the industry requires.

462. The committee supports the use of industry clusters within Queensland to strengthen cooperation and the formation of networks between businesses, industry, governments and education providers. By forming these networks, the industry cluster has the potential to address regional issues such as skills shortages and workforce development based on industry needs, infrastructure planning and development to support industry growth and rural and community development for regional workers. The Queensland Government assists in building industry clusters through its centres of enterprise initiative. The government has identified six regions that each have one or two key industries.
463. Like other jurisdictions, local governments within Australia have experienced increasing pressure to participate in economic planning. However, most local governments believe that the State Government has the lead role for economic development. The Queensland and Federal Governments both work with local governments on economic development issues. However, the local government sector has some concerns regarding the level of consultation on economic development that is occurring. The committee believes this issue needs to be addressed.

#### **Regulation (pages 95 – 110)**

464. The purpose of government regulation is to protect the community and economy with regulatory mechanisms that achieve economic, environmental and social goals. The need to reduce unnecessary compliance burdens on business to stimulate economic growth and recovery, particularly during economic downturns, is driving global regulatory reform agendas.
465. The need for streamlining current regulations and regulatory compliance in Queensland is highlighted by the Productivity Commission that reveals Queensland has the highest regulatory requirements of any state or territory in Australia. Although the Queensland Government has undertaken a series of regulatory reforms as part of its Smart Regulation Reform Agenda, the Productivity Commission estimates that further regulatory and competition reforms have the potential to increase Queensland's gross state product by a rate of almost two per cent over a 10 year period.
466. The Queensland Government has implemented a number of reform measures to reduce the stock of regulation through a phased program of reviews by agencies as part of the state's Smart Regulation Reform Agenda. These are aimed at improving Queensland's regulatory environment, including reducing barriers to trade and commerce between Queensland and the rest of Australia and reducing the regulatory burden on Queensland business. Improvements to regulations during the 2007-2008 financial year delivered \$70 million in savings to Queensland businesses, community and the government.

467. OECD countries have generally adopted the view that reducing the impact of regulatory burden on SMEs is important. The Queensland Government has a number of programs and strategies in place that provide assistance and advice on regulation affecting small business. These include the requirement of government agencies to complete RIS when introducing or amending regulations according to the criteria of the *Regulatory Impact Statement Guidelines 2009*. Through the Queensland Small Business Advisory Council, the Queensland Government also provides opportunities for business to inform the government of the impact of regulation on business activity. Business and industry groups would like the Queensland Government to improve its level of consultation on regulatory reform.



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## APPENDIX A - ADVERTISEMENT CALLING FOR SUBMISSIONS

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### Economic Development Committee - Call For Written Submissions

The Economic Development Committee is inquiring into world's best practice by governments to effectively stimulate employment opportunities to ensure that Queensland's labour force is well positioned in readiness for an economic upturn.

The committee is inviting submissions from persons and organisations. An issues paper, containing the complete terms of reference and information about making a submission, is available from the committee's secretariat on **1800 504 022** or from **[www.parliament.qld.gov.au/edc](http://www.parliament.qld.gov.au/edc)**.

Written submissions should be sent by **Friday 7 August** to:

The Research Director, Economic Development Committee,  
Parliament House, BRISBANE, QLD 4000

**Evan Moorhead MP**, *Chair*

*Advertisement placed in The Courier Mail on 11 July 2009.*



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## APPENDIX B – LIST OF SUBMISSIONS

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- Submission 1: Stephen Graham Brown, relief teacher
- Submission 2: Dr Rowan Gilmore, Australian Institute for Commercialisation
- Submission 3: Dr Alex Douglas MP, Member for Gaven
- Submission 4: Jonathan Potter, Organisation for Economic Co-operation and Development (OECD)
- Submission 5: Robert Strauss, European Commission
- Submission 6: Professor Paul Clark, Vice-Chancellor, Southern Cross University
- Submission 7: Rodney Scarce, Chief Executive Officer of the Torres Strait Island Regional Council
- Submission 8: Ian Church, Chief Executive Officer, Tablelands Regional Council
- Submission 9: CONFIDENTIAL
- Submission 10: Steve Martin, Executive Director, People and Capability, Transport and Main Roads
- Submission 11: Professor Paul Thomas AM, Vice-Chancellor, University of the Sunshine Coast
- Submission 12: Jill Lang, Director, Queensland Council of Social Service
- Submission 13: CONFIDENTIAL
- Submission 14: Sue Perel, Manager, Kurbingui Youth Development Association Inc
- Submission 15: Cr Michael Brunner, Mayor, Whitsunday Regional Council
- Submission 16: Professor Robert Stable, Vice-Chancellor and President, Bond University
- Submission 17: Mayor Paul Pisasale, City of Ipswich
- Submission 18: Scott Elms, President, Rainbow Beach Commerce and Tourism Association Inc
- Submission 19: Hon Peter Collier MLC, Minister For Energy; Training (Western Australia)
- Submission 20: Beatrice Booth, President, Chamber of Commerce and Industry Queensland
- Submission 21: John Craig, Centre for Policy and Development Systems
- Submission 22: Rick Palmer, Strategic Manager Economic Development, Rockhampton Regional Council
- Submission 23: Samuel Tickell, Office of the Vice-Chancellor, University of Southern Queensland
- Submission 24: Mayor Ron Dyne, Gympie Regional Council
- Submission 25: Michael Roche, Chief Executive, Queensland Resources Council
- Submission 26: Julie Bignell, Branch Secretary, Central and Southern Queensland Branch, Australian Services Union
- Submission 27: Peter Georgiou, Marketing Manager, OneSteel Steel and Tube
- Submission 28: Ross Contarino, Chief Executive Officer, Advance Cairns
- Submission 29: Cr Jane Prentice, Chairman for Public and Active Transport and Economic Development, Brisbane City Council

- Submission 30: Deborah Anne Shears, Nundah
- Submission 31: Darren Scott, Director, Economic Development and Major Projects, Gold Coast City Council
- Submission 32: Gerard Reilly, Director, BBS on behalf of Pregno Family Investments
- Submission 33: Christopher Brown, Managing Director, Tourism and Transport Forum
- Submission 34: Ray Burton, Chief Executive Officer, Townsville City Council
- Submission 35: David Pettigrew, Manager, Strategy and Business Development, QMI Solutions Ltd
- Submission 36: David Botta, Managing Director, Colorado Group
- Submission 37: Dr Liz Todhunter, Research and Policy Officer, Queensland Nurses' Union
- Submission 38: Dr Lisa McDonald, General Manager, Economic Development, Townsville Enterprise Ltd
- Submission 39: Andrew Dettmer, State Secretary - Queensland, Australian Manufacturing Workers' Union
- Submission 40: Bruce Napier, Chair, Environment Industries Sunshine Coast
- Submission 41: David van den Brule, Economic Development Manager, Logan City Council
- Submission 42: John Rauber, Chief Executive Officer, Moreton Bay Regional Council
- Submission 43: Aaron Johnstone, Manager, Policy and Public Affairs, Australian Industry Group
- Submission 44: Dr Liz Ferrier, Senior Lecturer, School of Business, University of Queensland for ACPET
- Submission 45: Peter Henneken, Director-General, Department of Employment, Economic Development and Innovation
- Submission 46: Greg Hoffman, Director of Policy and Representation, Local Government Association of Queensland
- Submission 47: Bianca Bond, Interactive Community Planning Pty Ltd
- Submission 48: Dr Riccardo Welters, Lecturer, James Cook University

## APPENDIX C – PUBLIC HEARING WITNESSES

Public hearing held on 4 September 2009 in the Undumbi Room, Parliamentary Annexe

Mr Stephen Graham Brown Attended in private capacity	Dr Alex Douglas MP State Member for Gaven
Ms Sue Fergusson Executive Director Research and Policy Legislation Division Department of Education and Training	Mr Brian Anker Deputy Director-General Innovation Department of Employment, Economic Development and Innovation
Mr Mark Bermingham Deputy Director-General, Employment and Industry Development Department of Employment, Economic Development and Innovation	Mr Peter Henneken Director-General Department of Employment, Economic Development and Innovation
Mr Paul Low Associate Director-General, Industry Development and Innovation Department of Employment, Economic Development and Innovation	Mr Adam Stevenson Executive Director, Strategic Policy Coordination Department of Employment, Economic Development and Innovation
Dr Peter Crossman Assistant Under Treasurer and Government Statistician Queensland Treasury	Mr Peter McKenna Director, Queensland Office for Regulatory Efficiency Queensland Treasury
Dr Riccardo Welters Lecturer James Cook University	Mr David Copeman Campaigner Australian Manufacturing Workers' Union
Ms Elizabeth Mohle Assistant Secretary Queensland Nurses Union	Dr Liz Todhunter Research and Policy Officer Queensland Nurses Union
Mr Aaron Johnstone Policy and Public Affairs Manager Australian Industry Group	Mr Daniel Gschwind Chief Executive Officer Queensland Tourism Industry Council

<p>Mr Greg Lane Deputy Chief Executive Officer, Director of Skills Policy Queensland Resources Council</p>	<p>Mr Michael Roche Chief Executive Officer Queensland Resources Council</p>
<p>Mr David Rynne Chief Economist Queensland Resources Council</p>	<p>Mr Robert Walker Chief Executive Officer AgForce Queensland</p>
<p>Mr David Pettigrew Manager, Strategy and Business Development QMI Solutions</p>	<p>Professor Paul Thomas Vice-Chancellor and President University of the Sunshine Coast</p>

**Public hearing held on 18 September 2009 in the Premiers' Hall, Parliamentary Annexe**

Miss Allinta Rose Managing Director Deadly Solutions	Ms Sue Perel Manager Kurbingui Youth Development Association
Ms Rachel Bobir Employment Officer Kurbingui Youth Development Association	Mr Nick Behrens General Manager, Policy Chamber of Commerce and Industry Queensland
Miss Megan Lewis Education and Training Adviser Chamber of Commerce and Industry Queensland	Ms Sue Beitz Head of Secretariat Skills Australia
Dr Tom Karmel Managing Director National Centre for Vocational Education Research	Mr Geoffrey Bush Employment Officer, HR Programs Local Government Association of Queensland
Mr Gregory Hoffman Director, Policy and Representation Local Government Association of Queensland	Councillor Raymond Brown Mayor Western Downs Regional Council
Councillor Ron Dyne Mayor Gympie Regional Council	Councillor Frederick Gela Mayor Torres Strait Island Regional Council
Mr David Jackson Manager Economic Development, Brisbane City Council	Mr Nicholas McGuire Deputy Manager Economic Development, Logan City Council
Mr Grayson Perry Manager, Economic Development Branch Gold Coast City Council	Mr Rodney Scarce Chief Executive Officer Torres Strait Island Regional Council



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## APPENDIX D – ADVERTISEMENTS FOR PUBLIC HEARINGS

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**Economic Development Committee**

**Notice of Public Hearing**

The Queensland Parliament's Economic Development Committee invites the public to observe the proceedings at a hearing for its inquiry into Employment Creation at:

Time: 8.30am to 4.00pm  
Date: Friday, 4 September  
Place: Parliamentary Annexe, Undumbi Room, Alice St

*Advertisement placed in The Courier Mail on 2 September 2009.*



**Economic Development Committee**

**Notice of Public Hearing**

The Queensland Parliament's Economic Development Committee invites the public to observe the proceedings at a hearing for its inquiry into Employment Creation at:

Time: 8.30am to 12.30pm  
Date: Friday, 18 September  
Place: Parliamentary Annexe, Premiers Hall, Alice St.

*Advertisement placed in The Courier Mail on 12 September 2009.*



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# APPENDIX E - S.107 OF THE PARLIAMENT OF THE QUEENSLAND ACT

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## 107 Ministerial response to committee report

- (1) This section applies if—
- (a) a report of a committee, other than the Scrutiny of Legislation Committee, recommends the Government or a Minister should take particular action, or not take particular action, about an issue; or
  - (b) a report of the Members' Ethics and Parliamentary Privileges Committee recommends a motion be moved in the Assembly to implement a recommendation of the committee.
- (2) The following Minister must provide the Assembly with a response—
- (a) for a report mentioned in subsection (1)(a)—the Minister who is responsible for the issue that is the subject of the report;
  - (b) for a report mentioned in subsection (1)(b)—the Premier or a Minister nominated by the Premier.
- (3) The response must set out—
- (a) any recommendations to be adopted, and the way and time within which they will be carried out; and
  - (b) any recommendations not to be adopted and the reasons for not adopting them.
- (4) The Minister must table the response within 3 months after the report is tabled.
- (5) If a Minister can not comply with the subsection (4), the Minister must—
- (a) within 3 months after the report is tabled, table an interim response and the Minister's reasons for not complying within 3 months; and
  - (b) within 6 months after the report is tabled, table the response.
- (6) If the Assembly is not sitting, the Minister must give the response, or interim response and reasons, to the Clerk.
- (7) The response, or interim response and reasons, is taken to have been tabled on the day they are received by the Clerk.
- (8) The receipt of the response, or interim response and reasons, by the Clerk, and the day of the receipt, must be recorded in the Assembly's Votes and Proceedings for the next sitting day after the day of receipt.
- (9) The response, or interim response and reasons, is a response, or interim response and reasons, tabled in the Assembly.
- (10) Subsection (1) does not prevent a Minister providing a response to a recommendation in a report of the Scrutiny of Legislation Committee if it is practicable for the Minister to provide the response having regard to the nature of the recommendation and the time when the report is made.
- Example—*
- If the committee recommends that a Bill be amended because, in the committee's opinion, it does not have sufficient regard to fundamental legislative principles and the Bill has not been passed by the Assembly, it may be practicable for the Minister to provide a response.
- (11) Subsection (6) does not limit the Assembly's power by resolution or order to provide for the tabling of a response, or interim response and reasons, when the Assembly is not sitting.
- (12) This section does not apply to an annual report of a committee.

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# STATEMENT OF RESERVATIONS

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## STATEMENT OF RESERVATIONS

### Economic Development Committee

Report No. 2

November 2009

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### **Inquiry into identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland**

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This Statement of Reservations is submitted on behalf of the following members of the Economic Development Committee:

<b>Ms Fiona Simpson MP</b>	Deputy Chair & Member for Maroochydore
<b>Ms Tracy Davis MP</b>	Member for Aspley
<b>Mr Shane Knuth MP</b>	Member for Dalrymple

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The LNP members of the committee strongly believe the private sector is best placed to generate real jobs that are sustainable for the long term.

LNP Members are committed to ensure government fulfils its role in stimulating and facilitating employment in Queensland.

It is with regret we recommend that the key findings of this report should have identified government performance issues which are barriers to employment and economic development such as:

- *Overburdening Queensland businesses with excessive red tape*
- *Queensland's competitiveness adversely impacted by Government taxes, fees and charges*
- *Leadership at state level not coordinated effectively*
- *Systemic weakness in integrated planning across entities*
- *Out of date key employment and economic development documents and plans*
- *Inconsistencies in data collection and reporting, particular throughout Queensland regions*

We will address these issues in more detail as well as highlighting recommendations in the report which should be prioritised.

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## Terms of Reference

The establishment Economic Development Committee was announced by the Premier in Parliament on 22 April 2009 with no consultation. The Economic Development Committee was set up the next day on 23 April 2009.

On the same day it was established, it received from the executive government the following reference;

*“ECONOMIC DEVELOPMENT COMMITTEE*

*That the Economic Development Committee identify world’s best practice by governments to effectively stimulate employment opportunities to ensure that Queensland is well positioned to create employment opportunities in readiness for an economic upturn. In undertaking this inquiry, consideration should be given to established and new and emerging industries, and specifically:-*

- (a) Queensland’s significant science, research and technology infrastructure;*
- (b) Queensland’s natural resources;*
- (c) Areas in which Queensland has a demonstrated comparative advantage;*
- (d) the current and future skills requirements of the Queensland economy; and*
- (e) the impact of regulation on economic growth and recovery.*

*The committee is to report to the Legislative Assembly by 30 October 2009.”*

*Hansard 23 April 2009 p 157*

The establishment of this committee could have provided a great opportunity for strong recommendations to be made for practical initiatives to stimulate employment opportunities in Queensland.

However, it is the opinion of the LNP members of this committee that the reference provided to the Economic Development Committee was too broad to be effective. It is our belief a more strategic approach was required and forms the focus of this Statement of Reservation. The committee’s report also noted;

- “10. The terms of reference for this inquiry cover a broad range of matters for the committee’s consideration. Although the House granted the Committee an extension of one month to finalise the report, it has been difficult to consider all matters to the extent preferred by the committee.*
- 11. In some respects the report is not as comprehensive as the committee may consider further during the term of the 53<sup>rd</sup> Parliament.”*

*Economic Development Committee Report No. 2 p2*

In future we recommended that references to this committee are more strategic in nature and are designed to have clear outcomes to improve government actions.

In addition, the terms of reference provided to the Economic Development Committee were formulated on broad policy grounds, curtailing the traditional role of Parliamentary Committees to scrutinise government activities.

We note the Clerk of the Parliament has also reflected this view;

*“The reforms, sponsored by the government, have ensured that parliamentary committees are focussing on policy rather than the scrutiny of government action. Indeed, such committees are effectively hampered in scrutiny activities by their terms of reference.”*

*Submission on integrity and accountability in Queensland  
The Clerk of the Parliament 16 September p21*

The LNP members of this committee recommend future terms of reference are set by the Economic Development Committee with a strong focus on scrutiny of government actions. It is also recommended, consistent with the principle of the separation of powers, that future reference not be imposed by the executive government through their numbers on the floor of Parliament.

### **Alternative findings**

The LNP members of this committee believe that many of the recommendations in the report refer to core government business, instead of addressing the terms of reference regarding world's best practice at stimulating employment, or the traditional role of Parliamentary Committees to scrutinise government actions.

Evidence and submissions to the Committee's inquiry demonstrated that the Queensland Government's approach to employment generation and economic development is ad hoc and lacking in strategic focus, while not being informed by consistent measurements.

Unfortunately this seems to be a wider trend in Government as evidenced by the Auditor-General's report transport into *Transport network management and urban congestion in South East Queensland's* key findings;

*Leadership at state level not coordinated effectively*

*Systemic weakness in integrated planning across entities*

*Out of date key transport documents and plans*

*Inconsistencies in data collection and reporting*

*Auditor-General of Queensland Report to Parliament No.3 for 2009 p3&4*

It is the opinion of the LNP members of the committee that the similar findings should have formed the basis of the committee's findings.

In addition the LNP members believe that further findings should focus on Queensland's excessive red tape and inappropriate government taxes, fees and charges.

The essence of the LNP members of the committee's recommended findings is to improve government role in supporting and facilitating employment in Queensland.

While government employment and investment is a vital part of our economy, most jobs are generated by the private sector.

This was best reflected in evidence to the committee by Mr Nick Behrens General Manager, Policy, of the Chamber of Commerce and Industry Queensland when he stated;

*“This inquiry must recognise the vital importance that state government plays in building and sustaining the economy. To this end, CCIQ sees the responsibility of state government as creating an overall environment which is conducive to economic growth—no more and no less. Greater priority must be given to examining and reducing the costs of doing business in this state. Creating a strong business operating environment that allows local industries to compete globally is pivotal to the economic wellbeing of business and employment creation.”*

*Economic Development Committee—Inquiry into Employment Creation— 18 Sep 06*

### **Overburdening Queensland businesses with excessive red tape**

As evidenced by the Chamber of Commerce and Industry’s submission, Queensland “leads” Australia as the most over regulated.

In Queensland there are 93 state government departments, offices, agencies or statutory authorities that have a role as business regulators – 25 more than the next highest state.

Likewise Queensland has more regulation than any other state with over 70,000 pages (CCIQ Submission). This equates to a stack of regulation that would sit seven and a half metres high – taller than a 2 story house.

Advance Cairns Limited reinforced this view in their submission when responding to the committee on the impact of regulation on employment opportunities.

*“Regulation has a huge affect in the decision that employers make when considering increasing their workforce. Employers feel they are buried under the plethora of documentation and hurdles they must endure. Any sort of regulatory reform will be certainly appreciated.”*

*Advance Cairns Limited Submission 7 August 2009*

There was a strong recurring theme from submissions that regulation was a major burden for business and employment. The Australian Industry Group addressed regulation reduction:

### ***How could Queensland reduce the cost of regulation on Queensland employers?***

*In recent years, the Queensland (and Australian) Governments have put in place a number of strategies to reduce the regulatory requirements for industry. Whilst these reforms are heading in the right direction, more needs to be done. For example, greater attention can be given to the following:*

- Continue work with other States and Territories towards **national harmonisation** of regulation in areas such as workplace health and safety and environmental regulation
- Focus on **specific areas of regulatory requirements** (eg frequency of reporting requirements, quality of regulatory officials' advice, fact-sheets on regulation) to see where improvements can be made, whilst retaining the overall aim of the regulation.
- Utilise the **networks provided by industry associations** in communicating changes on regulation, as well as drawing feedback.
- **Integrate reporting requirements and ensuring consistent terminology** as much as possible across various agencies.
- Improve the **quality, training and skills of compliance officers** to support their work in providing quality advice (and support) to licensees.
- **Be vigilant** in questioning the merit of new regulations, and constantly assessing whether other policy instruments can achieve the same ends.
- Introduce a **"one-stop-shop" approach** as much as possible on industry regulation in areas such as environmental and workplace health and safety regulation to ensure companies are not having to always deal with a multitude of regulations, government agencies, staff etc on similar areas of regulation.

Committee Recommendation 25 recommends the Queensland Government reviews its approach to measuring the costs of regulation to consider the number of specific requirements or actions that each regulation imposes on business and the cumulative impact on businesses and the wider community.

This recommendation partly addresses the LNP members' concerns, but doesn't address the core issue of Queensland's rapidly increasing red tape burden.

LNP members of the committee strongly recommend the Queensland Government genuinely address and reduce the onerous red tape in Queensland, with measurable outcomes such as "one in – two out" approach to capping and reducing the red tape burden.

The Government should also undertake a review of interstate and international best practice in streamlining regulation and reducing the cost burden for business.

### **Queensland's competitiveness adversely impacted by Government taxes, fees and charges**

A strong theme from businesses and industry groups was Government taxation, fees and charges impact negatively on Queensland's competitiveness.

Traditionally Queensland has enjoyed a reputation as the "low tax state". Unfortunately, over the last decade Queensland has lost this distinction due to the Queensland Government's policy of increasing taxes, fees and charges.

The Australian Industry Group submission identified the Queensland Government's imposition of a State Fuel Tax will cost industry \$250 million per year (p17).

The submission also identifies tax reform as the most critical strategy to generate and sustain economic growth;

*The most critical strategy that state governments should adopt in generating employment opportunities relates to the overall settings put in place to **generate and sustain economic growth**, throughout all parts of the state.*

*For a state government, this includes strategies in the following areas:*

- *A competitive **tax and regulatory environment** for industry that encourages investment*
- *Investment in **education and training**, to improve the skills base upon which industry relies*
- *A **modern infrastructure framework**, particularly in areas such as freight, transport, broadband and energy, that allows goods and services to be produced and transported in the most efficient manner possible*
- *Fostering attention and support for **industries of strategic importance** for Queensland, through targeting of incentives, export advice, collaboration etc.*
- ***Investing in networks and services** that encourage Queensland businesses to collaborate, innovate and benchmark themselves against world's best practice*
- ***Modernising government** to ensure an efficient and effective public service which responds to industry and community needs, and promotes relevant public investment whilst maintaining a sound fiscal outlook.*
- ***Support local industry capability and involvement** in government purchasing and projects*

*Australian Industry Group Submission August 2009 p2*

While the Federal Government is currently undertaking a major tax overhaul through the Henry Review, the State Government has a critical role to ensure our taxation environment encourages employment opportunities. Productivity should be a key consideration in determining the government's tax strategy.

The recent Queensland budget hit businesses hard. In addition to the fuel tax mentioned above, the price of water is expected to skyrocket from \$483 per year up to \$750 per household in SEQ in the next five years and electricity prices to rise 5 percent on top of the 11 percent jump last year. The RACQ has also identified that Queensland now has the highest car registration fees in Australia as a result of car registrations being slugged with a 20 percent rise.

The LNP members of the committee recommend that the Queensland Government review the state's relative taxation burden, compared, not just to other state jurisdictions but also to our global competitors and publish this information annually.

### **Leadership at state level not coordinated effectively**

Leadership is a key role of Government.

Leadership covers many aspects of government, including providing certainty for business, minimising sovereign risk, timely and effective decision making as well as promoting productivity and innovation.

Business certainty and minimising sovereign risk are critical for attracting investment and employment to Queensland.

Business is reporting that the Queensland Government is not fulfilling these central responsibilities.

Uncertainty, or even the perception of uncertainty, quickly erodes business confidence and investment.

The Government can point to a raft of policy, unfortunately these are largely process not outcome driven and short-term not long-term in nature.

This was demonstrated in the Queensland Resource Council submission which states;

*QRC members remain concerned that the impact of many government decisions on company cost structures is largely invisible to government. Key areas of focus include:*

- *direct cost increases such as royalties, levies, and charges;*
- *indirect costs such as when traditional government functions are transferred to industry which is what the industry is increasingly facing demands to support social infrastructure such as medical, housing and education services in resource communities;*
- *regulatory and compliance costs including: – uncertainty and delays in processing tenures; and shortages of resources in key Departments delaying decisions. Development plans are a good example of where the government requests detailed operational information on mine planning, when it's unclear how they can put that information to good use; and*
- *opportunity cost – when key infrastructure is unable to perform and market opportunities are missed or when the negotiations around the pricing and financing of expansions of infrastructure take longer than the time to build the infrastructure.*

*In the absence of clear examples of the cost impact of decisions, it is too easy for Governments to brush aside industry concern with the compliance impact as head-in-the-sand resistance to policy change.*

*QRC Submission 10 August 2009 p18& 19*

A direct example can be found on the QRC website;

***Oil shale decision a blow for Queensland***

*The state government's declaration of a 20-year moratorium over the development of the McFarlane oil shale deposit would further erode Queensland's standing as a destination for exploration investment, Queensland Resources Council Chief Executive Michael Roche, said today.*

*'Global exploration managers already rank Queensland as the least attractive jurisdiction in Australia and this decision is only going to reinforce that perception,' Mr Roche said.*

*'Sovereign risk is a key consideration with billions of dollars at stake.*

*'Queensland has now effectively halted the development of two globally significant energy fuels in 15 months for the sake of local politics.*

<http://www.qrc.org.au/01 cms/details.asp?ID=1597>

Government also has a role to ensure it is productive while encouraging productivity in the private sector. Mr Nick Behrens General Manager, Policy, of the Chamber of Commerce and Industry Queensland encapsulated Government's role in response to a question from Ms Simpson;

*"As I said, I think the answer is that the government's role is to create the environment for business and the economy to grow. If it does that, then the productivity of state government would essentially be the growth in the economy or, if you wanted to be technical about it, growth in state product divided by the working hours to give an actual productivity measurement. I do not feel like I have really answered your question well, but it is this philosophy that we have that if the state government is doing a good job then the economy is growing. I will make the comment that the single greatest contribution a business can make to the social wellbeing of Queensland is to provide secure ongoing employment. So if you want to measure the productivity of the state government, then we have to create the environment for business to be able to do that. There are obviously other measures such as housing, education and health.*

*They are all of paramount importance, but our view is if you enable business to grow that will in turn stimulate taxation receipts because the economy is growing."*

*Economic Development Committee—Inquiry into Employment Creation— 18 Sep p9*

LNP members on the committee also pursued the leadership role of the Government regarding innovation.

Some other committee members advocated the appointment of an Innovation Advocate to coordinate government innovation. The LNP members strongly reject this proposal as we believe that innovation MUST be a leadership role and permeate the whole of the public service and not isolated to a mid-level bureaucratic role.

True innovation in the government and private sector spheres can only be driven by high level leadership and a culture which empowers effective decision making throughout the organisation and is responsive to feedback, particularly from customers – the Queensland public.

It is worth noting the very cogent definition of innovation given by Dr Peter Crossman, Assistant Treasurer;

*The idea of working smarter is the concept of being innovative, that is, doing things differently and better. Innovation can only occur when two conditions are met: firstly, the right incentives. Is there a sufficiently compelling reason to change? The second is flexibility. Is there an ability to change or are there too many restrictions in place? These simple ideas should be at the forefront of all policy analysis directed at delivering productivity improvements through innovation. For example, competition is important as an element of flexibility.*

*Economic Development Committee—Inquiry into Employment Creation—4 Sep p9*

The LNP members of the committee recommend that the Queensland Government review their leadership role with regards to employment and economic development, with particular focus on providing certainty for business, minimising sovereign risk, timely and effective decision making as well as promoting productivity and innovation.

### **Systemic weakness in integrated planning across entities**

This issue was identified extensively by local governments and business during this inquiry. Mr Greg Hoffman, Director, Policy and Representation for the Local Government of Queensland stated at the hearing.

*Mr Hoffman: . . . there does need to be legislative change, because the mechanisms that exist at the moment do not provide a ready-made, guaranteed, accepted, understood engagement between the state bureaucratic processes and local government processes. We are in those discussions, as Mayor Brown indicates. But I have to say that there is something of an inertia within the bureaucracy to want to deal with that, because it will mean a change in the processes that have been long established. Now, instead of guaranteed legislative accepted mechanisms they are administrative add-ons. They are only as good as the individuals within respective departments at particular times are in recognising the importance of that guaranteed*

*engagement. So we are in that debate, and I would like simply now to put it on record that that is an important part of the process to achieve that partnership that Mayor Brown has alluded to. It is so important to successful outcomes in the generation of these new communities and the provision of infrastructure, whether it is federal government, state government, local government or, appropriately, the industry involved.*

*Ms SIMPSON: That sparks a question about whether there need to be designated state development areas for those major projects where it is almost like a coordinator-general approach to coordinate across departments. Does there need to be that sort of approach? You say there is legislative need, but you also need someone to drive the coordination of that in cooperation with council.*

*Mr Hoffman: The resource communities partnership, established some 18 months ago, is a mechanism that was put in place to enable the pressures that are currently within the Bowen Basin and Surat, emerging within the Galilee and, likewise, in the north west province to have some consistency in the approach between state government and local government. That had a lot of promise, but it is only as good as the resource support that is behind it. I have to say that there has been some diminution of departmental interest and accept that that is probably a resourcing issue of the current times that is impacting it. But it still leaves a lot of pressure at the local level to try to deal with these issues. But that can only happen if there is a willingness at the state level to recognise that this is a long haul issue and you do not just create a mechanism and say, 'Fine, it's there; you work it,' because a lot of the key decision making is in fact state government decision making. That is why legislation needs to ensure that engagement is guaranteed, not whimsical or disparate, depending on individual projects.*

*Economic Development Committee—Inquiry into Employment Creation—18 Sep p29*

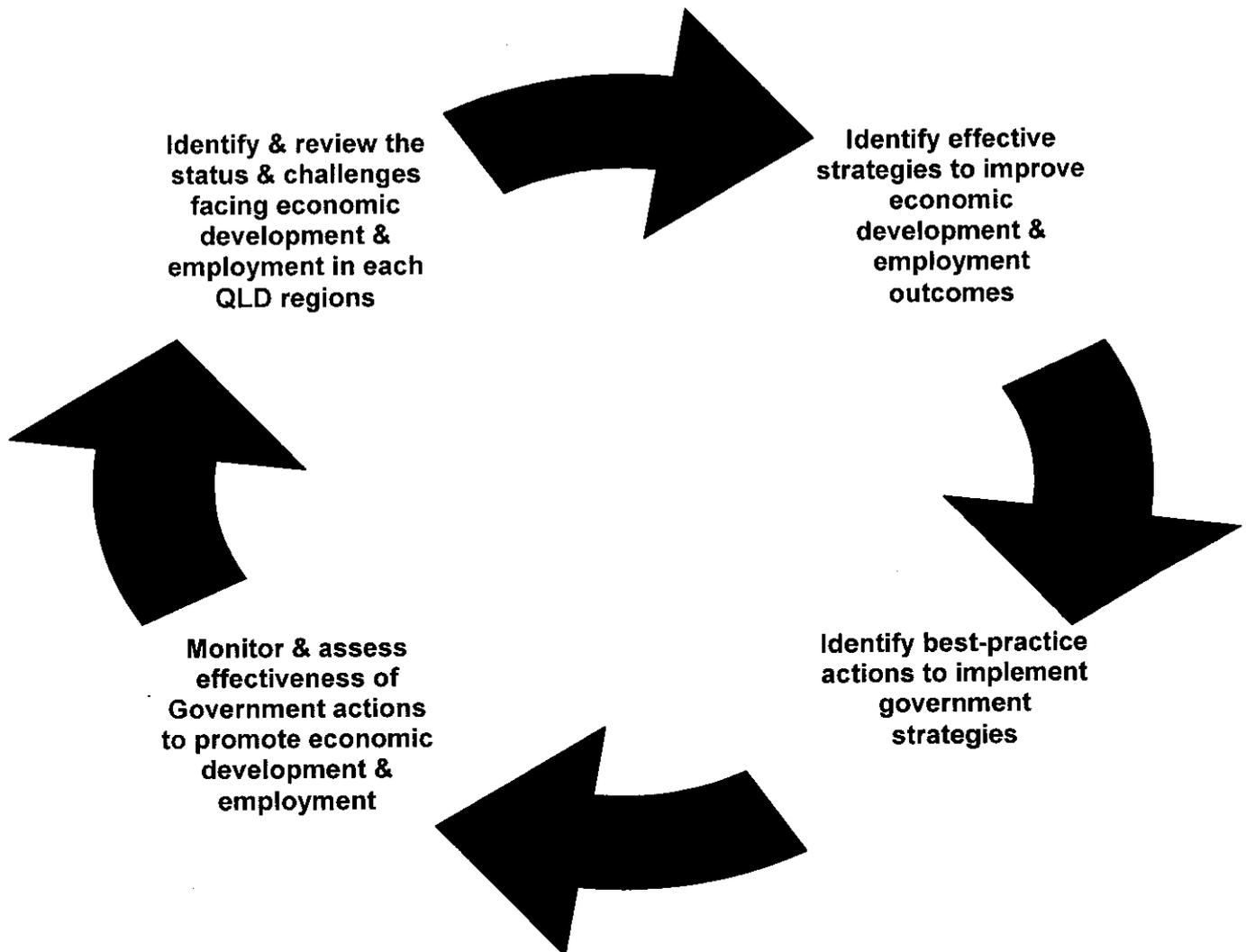
Government's role in employment and economic development should be light-handed but not hands free as part of series of continuous actions.

This action should have as its central core the outcome of economic development and employment.

It is essential Government identify both qualitatively and quantitatively the status of each region in Queensland, as well as identifying their unique challenges.

This information should be used to identify effective strategies to improve economic development and employment, which in their turn are implemented through best-practice actions.

These actions and strategies must be monitored and reviewed. The evidence to the committee plainly showed the Queensland Government is particularly failing in this role.



To assess the effectiveness of existing government jobs and economic development programs requires meaningful performance indicators and transparent review processes. None were evident in the material presented from DEEDI. For Government departments and their political masters to simply provide self assessment of their own effectiveness when spending billions of dollars in recurrent and capital spending, is not “best practice”.

For example, the performance indicators used within Government Annual Reports and Budget Papers as to the effectiveness of Government programs of spending are often changed annually and lack the rigour which would be expected in the private sector by a board and senior executive. Also, in the hearing with DEEDI on

September 18, they were asked to justify claims of how they would achieve targets for increasing innovation. They were unable to supply this detail.

The LNP members of the committee recommend that there is an urgent need for meaningful performance indicators to measure outcomes of government spending in jobs and economic development. This must be accompanied by a transparent assessment process of how these measures are achieved.

### **Out of date, or missing, key employment and economic development documents and plans**

The LNP members believe while formulating policies to stimulate employment it is critical that Government understands industries and individual regional requirements.

Queensland Government repeatedly claims it has comprehensive plans for employment.

Unfortunately these seem to be focused on direct Government jobs as opposed to private sector.

The Government has prepared Regional Plans for selected Queensland regions. The South East Queensland Infrastructure Plan and Program falls under the SEQ Regional Plan. It is disappointing no Economic Plans have been prepared to complement this process as the Regional Plans focuses on land use planning processes, as opposed to employment and economic development.

In contrast the Brisbane City Council has a Brisbane Economic Development Plan. It is recommended the State Government learn from this success and initiate Regional Economic Plans to complement and inform the land use planning process.

The Local Government of Queensland identified this issue in its submission;

*“ . . . the fact that regional development plans prepared by Queensland Government are not made public is often seen as a missed opportunity to improve collaboration and effective consultation.*

*Statutory regional plans do not necessarily align to identified shared regional economic opportunities and there remains an opportunity to improve both consultation and consistency of approach to this planning.”*

*LGAQ Submission 17 September 2009 p4*

The LNP members of the committee recommend the Queensland Government prepare Economic Development Plans for Queensland's regions to complement and inform Regional Plans

The failure of the Queensland Government to deliver its “Regional Development Strategy” as promised in 2008 (Queensland Government - “Smart Industry Policy and Decision Making Framework – Productivity is our priority” p.5 & 15) highlights

the ad hoc and poorly coordinated approach to regional development. In the Smart Industry Policy it stated:

*"Initiatives are also requires to coordinate and accelerate regional opportunities and generate a planned approach to Queensland's continued economic growth, social diversity and environment sustainability.*

*To achieve this and maximise growth across Queensland's regions, the Queensland Government will develop and implement a Regional Development Strategy in 2008 to complement the Smart Industry Policy and clearly articulate the Government's regional development priorities.*

*This Strategy will be released in 2008 and will demonstrate the Government's ongoing commitment to directly engage with the community and deliver targeted, responsive and innovative solutions and ensure that the prosperity of the economy is shared by all Queenslanders."*

*Queensland Government - "Smart Industry Policy and Decision Making Framework – Productivity is our priority" p15*

During this inquiry, DEEDI informed this Parliamentary Committee secretariat that this Strategy had not been completed due to funding constraints and only two individual plans had been undertaken in the absence of this overarching document. Thus it is more than ironic that the department's previous slogan "productivity is our priority" is more than ironic.

### **Inconsistencies in data collection and reporting, particular throughout Queensland regions**

It was clear during the hearings that as a result of inconsistent data collection and report the Queensland Government has limited understanding of the status and challenges facing Queensland, in particular in our regions.

As a result of questioning during the public hearing it became apparent that there is a lack of rigorous qualitative and quantitative data and understanding of the State of regional economies by the lead agencies responsible for driving government action in this area.

***"Ms SIMPSON:*** *The question is: does the department have analysis of the state of each of the regional economies using lead indicators and not just lag indicators?*

***Mr Henneken:*** *(Director-General, Department of Employment, Economic Development and Innovation) . . . In that sense, while there are no formal lead indicators by regions, the department does monitor very closely and does have an intelligence network where it can identify problem areas.*

**Dr Crossman:** *(Assistant Under Treasurer and Government Statistician) . . . As I say, traditionally the focus of Treasury is on the state aggregate and not on regions. Unfortunately, perhaps, we do not have a vast body of regional economic analysis and forecasting to hand. I doubt that we would, as a department, concentrate on that. I think we would see that as primarily a role of the Department of Employment, Economic Development and Innovation, which has carriage of regional economic development."*

*Economic Development Committee—Inquiry into Employment Creation—4 Sep p14&15*

The lack of detailed analysis by the Queensland Government of regions and their economic performance indicates a serious lack of knowledge of regional current and future needs.

The Local Government Association of Queensland reflected the LNP member's concern when Greg Hoffman, Director, Policy and Representation, stated to the Public Hearing;

*I would add to that that the statistics that are available to support regional development activities are fairly scratchy. No criticism intended, but what can be done at a helicopter, or high level, in terms of work done at the state level does obviously have its limitations. Quite a number of these regional organisations that I have alluded to previously find it necessary to supplement what is available at the state level with a significant amount of additional work to, if you like, finesse and complete the statistics that are generated at the state level. I think that is something that can flow from that if it is recognised and accepted as important—and I believe it is fairly self-evident that if you are going to make informed decisions about economic and regional development opportunities in any given area it needs to be based on a solid and complete set of business statistics and analysis. So we highlight that there are some limitations there and that is an area worth investigating.*

*Economic Development Committee—Inquiry into Employment Creation— 18 Sep p18*

The Government publishes aggregated data about the state of the Queensland economy but does not do this with respect to the regional sub-economies which can be substantially different from the whole and from other regions within the State. Effective regional development can only be achieved with strategic plans and actions which are based upon relevant and timely information. The fact that there is a government department supposedly dedicated to regional development yet fails to keep and publish these consistent dataset to inform this process is negligent.

The LNP members of this committee recommend that the Queensland Government publish regional economic performance data to inform government and business strategies and investment.

## COMMITTEE RECOMMENDATIONS

The LNP members of this committee believe the recommendation made in the Report do not address the terms of reference regarding world's best practice at stimulating employment, or the traditional role of Parliamentary Committees to scrutinise government actions.

It is disappointing this opportunity was lost on both grounds.

The recommendations made are largely motherhood, and seem to be focussed on recommending government perform what, to taxpayers, would be considered core government business.

While we largely agree with the recommendations we are disappointed this report did not move the debate forward. The following recommendations demonstrate the LNP members' concerns.

**Recommendation 3 (page 35):** The committee recommends that, following a return to better economic conditions, the Queensland Government reviews its employment policies and programs and their impacts on Queensland employment opportunities to inform policies in preparation for future economic downturns that require a quick policy response.

**Recommendation 5 (page 41):** The committee recommends the Queensland Government develops programs to ensure Queensland schools are providing young people with the knowledge and skills for new and emerging industries. Some programs should include partnerships with industry to facilitate the transition from school to employment.

**Recommendation 8 (page 52):** The committee recommends the Queensland Government regularly monitors the need for skilled migration and ensures skilled migration does not replace the training and education of local workers.

**Recommendation 13 (page 73):** The committee recommends the Queensland Government encourages local employers to employ and train local workers and graduates to meet the employers' short term and long term employment needs.

**Recommendation 18 (page 87):** The committee recommends the Queensland Government liaises with regional economic development boards and business groups to facilitate the ability of local suppliers to have the capacity to tender for government projects and create alliances.

The LNP would particularly like to endorse the following recommendations;

**Recommendation 11 (page 65):** The committee recommends the Queensland Government encourages and supports the development of business incubator and accelerator organisations based at regional universities within Queensland.

**Recommendation 14 (page 74):** The committee recommends the Queensland Government develops an economic development action plan and a skills action plan for every area of the state and that these plans align with the regional plan for the particular area.

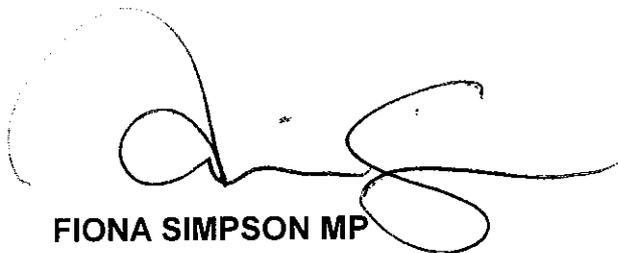
## Conclusion

Establishing “best practice” in the support of sustainable job creation and economic development requires strategic leadership. While the terms of this inquiry were overly broad and limit more detailed recommendations, it was clear that this strategic focus of Government departments such as DEEDI and across Government was lacking.

For a State the size of Queensland with vastly different regional sub-economies, it was astounding that Government failed to have regional economic performance data to inform their alleged strategic directions and government spend.

Unless government has a clear insight into the extent of the issues, you can not effectively stimulate employment opportunities in Queensland.

Yours sincerely



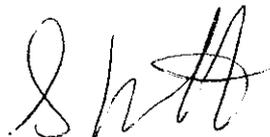
**FIONA SIMPSON MP**

Deputy Chair  
Member for Maroochydore



**TRACY DAVIS MP**

Member for Aspley



**SHANE KNUTH MP**

Member for Dalrymple